FINANCIAL TIMES



arket Information

-827 2014 A

undoubtedly benship s market: potential to assurers include the clause. Productial to

excessive it represent the representation above the value. There will be some as Life currently factorizing it peried to save as a more a year. The moder way at Clementary carriers.

uther sarings.

n is whether Hat

vaited for larger p

likely to go up, as come few reasonably keep you the block as a deal is stratege atom. Halifax will a financial service.

filiancial Service

ed to adapt to a ray:

gwernment mat,

ering large number

uch more manage

Without the need

dames of same

on materien would;

id even be beni

be him, but this is.

e bad for gilts 6

if up beef prices is

May pure of the m

area by the Europe

omage to governor to far smaller that

had to be called.

magh, we unlikely:

atem up tudy to be

problem is serior

cores the impresse

i di much abouta

another blow to a

iir. however mu

ones to turn its ban

Liav for succeed

2. ban consume

is the v to remai

sea. It so, the gr little choice but a

wolving large-scale

thely to take more oothing words to

il Lev comment or

nidence

 $dP(x,y) = \lambda (2^{\log n}) \cdot x$ 

appurently cauge

al cavings market "

Alliance the price tag of the Japan's carmakers Mutilation machines

Confidence regained

The case for banning landmines

Edward Mortimer, Page 12



TV in Russia From milkmaids to money



Today's surveys

Insurance Poland

# Italy seeks banks' support for sale of Banco de Napoli

The Italian government said it wanted to begin privatising the troubled Neapolitan bank. Banco di Napoli, before the end of next year, but only if other banks agree to back a rescue plan. The Italian trea-sury and a group of Italian banks agreed in November to grant Banco di Napoli a record L2,500bn (\$1.6bn) emergency loan to solve its short-term cash problems. Page 15; IMF urged to be bolder. Page 6

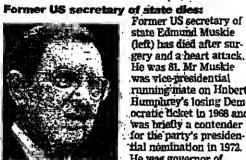
German building strike tooms: The threat of the first nationwide strike since the second world war in Germany's building industry appeared to grow after the failure of the first round of arbitration between unions and employers. Page 2

BASF, the German chemicals company, said it expected zero profits growth this financial year, but was considering acquisitions to use a mounting cash pile which stands at DM3.4bn (\$2.3bn). Page 15

**Ireland hints at joining Nato:** Ireland opened a potentially divisive debate about its policy of military neutrality with hints that his country would seek to join Nato's partnership for peace. Page 2

Two bidders in Telecom Eireann sale: Danish telecoms operator Tele Danmark and a part-nership of Sweden's Telia and KPN of the Netherlands emerged as the only bidders in preliminary tenders for a 35 per cent stake in Irish state-owned telecoms company Telecom Eireann. Page 15

Germany wants short IGC agenda: Germany called for a short agenda at the European Union's intergovernmental conference that starts in Turin this week and expressed disappointment at Britain's refusal to accept greater integration in Europe. Page 2



(left) has died after surgery and a heart attack. He was 81. Mr Muskie was vice-presidential running mate on Hnbert Humphrey's losing Democratic ticket in 1968 and was briefly a contender for the party's presiden-

He was governor of Maine from 1955-59 and a US senator from 1959 to

World car markets to shrink: The world motor industry faces more rationalisation, cuts and mergers due to overcapacity and weak demand in established markets, Ford chairman Alex Trotman said Page 4

Thai tycoon in \$480m Asian TV deal: Thai media tycoon Sondhi Limthongkul joined the Asian satellite broadcasting market, signing contracts which will form the basis of an Asian satellite TV network. Page 14

UAP, the French insurance group, announced its first full-year loss, of FFr2.06bn (\$407m) for 1995, due to heavy provisions for property boldings and

China fuels HK concerns: Hong Kong's top officials serving after next year's handover to China will have to support a controversial provisional legislature due to replace the existing elected body, a Chinese official said, Page 14

Report criticises Mafta: The North American Free Trade Agreement has cost jobs in the US. Canada and Mexico and damaged the environment on the US Mexican border, a new report by a Washington think tank claims. Page 4

Clash over bank clearing plans A plan by international banks to set up a global clearing bank to handle the daily flow of \$1,230bn across the world's foreign exchanges has run into opposition from one of the main organisations providing foreign exchange netting services. Page 5

US threatens China sanctions: US officials are reviewing the imposition of trade sanctions against China for its alleged transfer of nuclear technology and failure to abide by a bilateral intellectual property rights agreement. Page 4

Argentaria chief hails share issue: The chairman of Spanish bank Argentaria hailed its \$1.1bn secondary share issue of a 25 per cent stake as a success but analysts greeted it with caution.

No agreement on air cargo talks: Japan and the US ended the second day of talks aimed at creating a new framework for air cargo transport without an agreement. Page 4

M STOCK MARKET INDICES | M GOLD

# 9100% months negotia	- 600
New York Innobitions  Dow Jones Ind Av	
Europe and For East CAC40 2007.95 (+4.12) DAX 2499.32 (-11.0)	London: close\$400.2 (397.9)
FT-SE 100 3660.9 (-21.0)	E DOLLAR
FT-SE 1003660.9 (-21.0) Niidei21014.77 (+99.33)	
in and the second second second	LEAD LANGE MEMBER 1-2
	£1.525
W US LUNCHTIME RATES	DN1.47855
Federal Funds	FFr5.05075
3-mth Treas Bills: Yel _ 5.124%	SFr1.192
Long Bond	Y106.35
Yeld 8.506%	
I man and a second seco	London:
III OTHER RATES	£
	DM1.4758 (1.4777)
UK: 3-mo Interbank	FFr5.0528 (5.0578)
ORC 10 yr GBt	SF:1.1911 (1.1921)
France: 10 yr CAT104.41 (103.61)	Y106.245 (106.13)
Germany: 10 yr Bund97.07 (97.07)	1 """ 1000000 (1001.0)
Japan: 10 yr J6898.119 (98.332)	STERLING
Submit In Al and warmenessing formers	
	DM22463 (2.2536)
MORTH SEA OR. (Argus)	
Prest 16 dou Otaxo \$19.655 /19.74	Tolors cisse Y 106.3

Japan: 1	IU YT JOO		ST:	BUTAL			
M WA	HIH SE	A OR. (			(2.2536)		
Breat 15	-day (May	)\$1 <u>9.</u>	55	(19.74)	Tokyo d	ose:	¥ 106.3
Albania	LEK 220	Germany	DM4.00	Lithuania	l is 15.00	Catar	QR13.00
	Sch37		Dr400	Liex	LR75	S.Arabi	9 SR12
		Hong Kong	HKS20	. Male :-	Lm0.65	Singapo	oreS\$4.30
Belown :	9F75	Hungary	R230	Manacci	MOh16	Slovek	Rp Skits
Bulgala	7m130100	leeland					a R12.00
Cyprus	CE1.20	Inde	P675	Nigeria	Neira@0		
	· 4280		SH47.90		NK(20,00	Sweder	SK/20
	DK:18		L3200	Omen	OR150	Switz	SF13.70
Egypt	522 U			Pelestan.	Pe40	Syria	8065.00
Estanta .	EV 22	Jordan	JD150	Poland	215.50	Turriete	Dm1.750

© THE FINANCIAL TIMES LIMITED 1996 No 32,944

Selective plan backed by farmers Global ban expected to be confirmed

# UK set to destroy 4.5m cows

By George Parker and Alison Maitland in London and Caroline Southey in Brussels

The UK is set to order the destruction of up to 4.5m dairy cattle when they come to the end of their productive lives, in an attempt to allay fears about the safety of British beef.

As European Commission veterinary officials confirmed their proposal to impose a worldwide ban on British beef exports, senior ministers accepted that a selective slaugh-ter policy was needed to restore public confidence.

Mr Douglas Hogg, UK agriculture minister, is looking favourably at a proposal by the National Farmers' Union to destroy older cattle when they are no longer needed to produce milk.

The compulsory slaughter

wary as

offers

in circulation.

rency savings.

Special US Treasury telephone

hot-lines in Moscow and provin-

cial cities helped get across the message that there was no

urgent need to cash in ald bilis.

The first redesigned banknotes

arrived in Moscow with great

fanfare on Monday, when a spe-cially chartered aircraft flew in

from Switzerland with a cargo of

\$60m in crisp \$100 bills. But

there was no rush for the new

notes yesterday afternoon, when

they first became available to

the Russian public at a handful

Russian and US officials had

feared the currency redesign

would trigger a money-changing

Russians have good reason to

fear the introduction of new hanknntes. Millions of people

lost their cash savings in 1991,

when new rnuble notes were

introduced and only limited

apportunities were offered for changing the ald notes before

Senior Russian officials have

jnined in the campaign to defend the dollar. Mr Sergei Dubinin, chairman of the central bank,

reiterated that "the old bank-

notes will in no way lose their

properties of legal tender". He warned his countrymen that

economically, the transaction

that makes the least sense is an

attempt to exchange the old

banknote for a new banknote". One reason for the lack of a

rush for the notes might be the

stiff commission charged by

commercial banks. Leading

banks have agreed to charge nn

more than \$2 to replace on ald

note with a new one, but smaller

Even the Russian government

outlets may charge more.

eign cash into the country.

they became invalid.

of retail banks in the capital.

initially £400m-£700m (\$612m-\$1.1bn) a year in compensation to farmers, and would run for at least five years until all older dairy cows reached the end of their working lives.

The slaughter scheme would cost only a fraction of the suggested £20bn cost of destroying the entire 11m national herd, and much less than Mr Hogg's alternative proposal for the immediate slaughter of 4.5m cattle aged over 30 months. Sir David Naish, union president, put the plan to the govern-

ment and opposition leaders yesterday. It has the backing of 20 companies involved in making or selling beef.

As the UK government grapples with the crisis of confidence in the UK, the European Commission is expected to confirm today

scheme would be expected to cost a worldwide ban oo British heel. EU veterinary officials meeting in Brussels reaffirmed their call for a ban despite hearing evidence from Britain's top BSE experts on the measures being taken to contain the disease.

"The British did not give any new evidence today and

Background reportsPage 8
LettersPage 12
Editorial CommentPage 13
Threat to IGC agendaPage 14

Dutch agriculture ministry offi-Mr Franz Fischler, commissioner for agriculture, is expected to be win Commission approval

for the proposal at a meeting

ber states," said Mr Hans Blom, a

today. The Commission also cleared up confusion over the extent of the ban, confirming that it was "all-embracing" and would cover all beef and products derived from beef.

A vast number of food products are therefore covered, including yoghurt, hiscuits and ice cream. Commission officials stressed that the han was "temporary" and would be reviewed once the British government had taken additional measures to eradicate

BSE, or mad cow disease. The Commission appeared to soften its previously tough stance on possible aid to British farmers: the official said the Commission would be "supportive" to any call for assistance.

Mr Hogg's believes a slaughter scheme based on the NFU proposals will receive Treasury backing. and be will also approach the European Commission for assistance.

Ministers are focusing on cattle

aged over 30 months, since only a tiny handful of cows younger than that have developed symptoms of BSE, or mad cow disease. Older cattle would have eaten BSE-infected feed, before the ban on the use of animal proteins hecame fully effective in January 1991. This proposal has the

advantage that it does not require large sums of compensatioo or a large one-off paymeot." said one ministry official. Yesterday Mr John Major, the prime minister, displayed his increasing exasperation at the

growing BSE crisis when he accused Labour of creating "health scares". Mr Tony Blair. Labour leader, accused the government of "quite mind-hoggling incompetence".

# German exporters lose sales because of Internet

By Peter Norman in Bonn

German exporters, battling against a strong currency and high labour costs, have found another cause for their declining share of international markets: the Internet.

Mr Michael Fuchs, the president of Germany's wholesale and foreign trade association, yesterday said that companies were losing lucrative niche markets because the worldwide computer network made it easier to compare prices and thus was making competition tougher.

Where once a German com-pany would offer to supply goods abroad at a given price and be fairly sure of winning the order, it was now likely to find the potential customer quoting more competitive prices from perhaps five other suppliers and putting the German company under pressure to improve its terms. The information used by a potential customer with such devastating effect has been garoered by surfing the Internet.

Mr Fucbs predicted that the problems being faced by Ger-man exporters would be experienced even more by the German retail trade.

But he said high prices made German retailers vulnerable in an age when a shopper, with a credit card and computer, could sit at bome and order goods from around the world.

The trend to "global sourcing". as fostered by the Internet, comes when Germany's exporters already have pleoty of problems. Although Mr Fuchs predicted German exports would increase again this year, he forecast that growth would be "at the most 5 per cent" compared with last year's 5.4 per cent rise.

He said German exports were growing less rapidly than world trade with the result that exporters were losing market share.

One sign of alarm was the decline in Germany's share of world trade from 12 per cent in where France and Germany were reported to have agreed on the need for a 1987 to 10 per cent now, in spite new European exchange rate system preventing "competitive devaluations" by countries outside the future economic and monetary union. The meeting of the country having grown in size through reunification in the was mainly designed as preparation for next month's EU finance ministers' summit. From left, German finance minister Theo Waigel, French economy meantime. Mr Fuchs's bleak assessment of current trends was and finance minister Jean Arthuls, Bundesbank president Hans Tietmayer and

Continued on Page 14



# Ten more Japanese banks set for losses over housing loans

By Gerard Baker in Tokyo

yesterday revealed they would report losses for the year to the end of March, confirming an unprecedented mauling of financial institutions that were once regarded as being among the world's strongest.

The announcements mean that 17 of Japan's 21 top commercial and trust banks lost money in 1995-96, all because of their belated decisions to write down non-performing loans made during the late 1980s when property prices soared.

The seven trust banks have some of the largest exposures to the country's bankrupt housing loan companies, or jusen, which were founded by the leading banks and lent particularly recklessly during the bubble years. Among the six trust banks

reporting yesterday, the two larg-est, Mitsubishi Trust and Sumitomo Trust, will each post pre-tax losses of more than Y320bn (\$3bn). The two each plan to write off about Y600bn in bad loans, most related to the iusen. The value of their non-performing loans amounted to more than 9 per cent of their total advances at the end of last September.

seems to be trying to cash in. The Russian Interfax news Four more city banks also foreagency reported yesterday that cast losses yesterday. Sakura the Russian State Customs com-Bank said it would incur a premittee planned to levy a commistax loss of Y390bn, after writing sion of 0.1 per cent of face-value on banks that ship old \$100 bills off more than Y280bn in bad loans. Daiwa, Asahi and Tokai out of the country. The governforecast losses of Y70bn Y160bn and Y340bn respectively. Only ment already charges 0.15 per Daiwa said it would treat the cent of face-value to bring forlosses as tax-deductible.

The government's plan to liquidate the jusen with an injection Another 10 big Japanese banks of Y685m in public funds is expected to be implemented soon, following the end on Monday of a blockade of parliament by opposition members who were protest-

ing against the move.

Mitsui Trust, the third largest trust bank, said write-offs of about Y500bn of bad loans would produce a pre-tax loss of about Y250bn. The other three trust banks, Toyo, Yasnda and Chuo, will report pre-tax losses of Y165bn, Y210bn and Y75bn

respectively.

The combined losses of the trust banks represent more than a quarter of the six banks' total capital base as measured at the end of September, a factor which could be expected to bring several of them very close to, or even below, the minimum Bank for International Settlements capital adequacy ratios. However, a sharp rise in equity

prices since September should help most of them to escape the capital inadequacy trap, since they can count unrealised gains on securities holdings as part of their capital.

Two large city banks bucked the trend by forecasting profits. Dai-Ichi Kangyo Bank said it expected a pre-tax profit of Y100bn as a result of lower loan loss provisions than most other banks of the same size. Sumitomo Bank, which reported a heavy loss last fiscal year, expects a pre-tax profit of Y40bn.

> Lex, Page 14 World stocks, Page 32

		CONTENTS	de Lakerskie	
Hours.	Festures	Costpanios	Foreign Exchanges23	Bourses78,32
European News2,3	Leader Page 13	UK20	Gold Markets21	
International News5	Letters12	Iral. Cap Micro22	int. Bond Service22	
Asia-Pacific News	Observer13	ins, Compartes16-19	Managed Funds2627	
American News	Technology10		Money Markets23	Stateger
World Trade News4	Ara11	Markets	Recent Issued	
UK News6	Arts Guide	Commodities21	Share information24,25	Insurance Sect, Iti
Weather14	Crossword21	FT Actuaries28	London SE29	
L#14		FT/SPA Wid Indices	Wall Street29-32	Potand Sect, IV

I MARDON - LEFERS - PARKS - FRANKFUET - STOCKHELM - MADRED - WEN YORK - LDS ANGELES - TOKYD - HONG KENIG

置 CINVen A SAUNA MANUFACTURER WHO WANTS TO WORK UNDER HIS OWN STEAM? NO SWEAT CINVen / INDEPENDENT / VISION

Franco-German entente: Participants take a break at Laval, west of Paris

Bank of France governor Jean-Claude Trichet Report, Page 2 Picture Review

Consensus reached on how to deal with exchange rate relationship between those 'in' and 'outside' Emu

By David Buchan in Paris

France and Germany agreed last night on the need for a new European exchange rate system which would prevent "competitiva devaluations" by countries remaining outside the future economic and monetary union (Emu), Mr Jean Arthuis, the French finance minister claimed.

He was speaking at the conclusion of the twice-yearly Franco-German meeting of finance ministers and central bankers. The meeting was mainly designed as a bilateral preparation for next month's EU finance ministers meeting in Verona.

But the two sides also discussed the economic slowdown in both countries which threatens the reduction of public deficits, required in particular by France to qualify for Emu in 1997.

Despite the slowdown, Mr Hans Tietmeyer, president of the Bundesbank, claimed that "globally" the present level of German interest rates was sufficiently low to "allow

growth" in the German economy. Mr Jean-Claude Trichet, the Bank of France governor, also claimed French rates were now "favourable to growth". Earlier this week, the French government revised its 1995 forecast downwards to 1.3 per cent.

with an upturn in the autumn to aim for a deficit of no more than 1 per allow 2.5-3 per cent expansion next

France has been trying to persuade Germany to take the problem of monetary stability between those inside the future Emu and countries remaining ontside at least as seriously as fiscal discipline within the system, originally raised by Mr Theo Waigel, the German finance minister.

France has supported Mr Waigel's idea for a "stability pact" among countries participating in Emu, though it remains reserved on the German finance minister's sugges-tions that Emu participants should

cent of national output and that fines might levied ou Emu participants that led their deficit go beyond 3 per

The French government, however. has been arguing that even more urgent are new disciplines on countries in the run-up to Emu and on the exchange rate relationship between the "ins" and "outs", once a partial Emu is established. President Chirac said earlier this week that France would sbortly make proposals to its EU partners for sanctions against countries indulging in "competitive

These proposals, to be tabled before the Verona meeting, would require that such countries take payments of EU structural aid in their own national currency, rather than Ecus, thereby denying them any windfall exchange gain from their currency's

Slippage.
Over the longer term, Paris hopes to get EU agreement on "a European Monetary System Mark II", keeping curreocies outside Emu within a certain margin of the Euro single currency. French officials say there is "an intellectual consensus", if not outright support, for such a system from every country axcept the UK.

**EUROPEAN NEWS DIGEST** 

# Kremlin in tax crackdown

The cash strapped Russian government has stepped up its efforts to bring taxation into the federal treasury and curtail the excesses of free-spending ministries. A tough decree published today suggests the Kremlin is boning to tighten financial discipline within the government, allowing President Boris Yeltsin's generous pre-election promises to be funded without prompting a jump in inflation.

One provision in the decree seeks to prevent a rerun of last's year budgetary fiasco when the Ministry of Defence and the Ministry of the Interior unilaterally raised wages for their soldiers, leading to Rhs5,000bn (\$1bn) in unforeseen expenditure. The new decree bans ministries from unauthorised wage increases. Another part of the new law is aimed at bringing Russia's often recalcitrant regional administrations in line. The decree forbids regional governments to introduce their own tax breaks and outlines a series of tough sanctions for regional administrations which do not promptly forward local collected taxes to

### Shell accused of pollution

Greenpeace, the environmental pressure group, has accused Sbell, tha Anglo-Dutch oil group, of polluting an underground water reservoir that supplies drinking water to Diyarbakir in sontheast Turkey. Greenpeace claims the company has pumped more than 487m harrels of polluted water into the Midyat aquifer that provides about a tenth of the city's water.

The water, which contains traces of oil and salts, was produced along with the oil from Shell fields in the region.

Shell, which last year sold its Turkish operation, said the aquifer was not used for drinking water when it decided in 1977 to use it to dispose of the water. A programme to phase out the practice is under way; a quarter of the water produced last year was reinjected into an oil reservoir. The company says the concentrations of oil and salts are too low to threaten

### Portuguese TV chiefs resign

The president and top management of Portugal's state television company, RTP, resigned yesterday after a conflict with editors and journalists over attempts to cut costs at the loss-making group. The resignations came as a second blow to the Socialist government after Mr Daniel Bessa quit as . economy minister last Friday in a row over Sunday shopping bours. Ms Manuela Morgado, RTP president, was one of a number of beads of big public-sector companies appointed by the Socialists after winning a general election last October. Ms Morgado's attempts to stem an annual operating loss of more than Es20bn (\$131m) led to the resignation last week of the head of news and programming and other production chiefs. They accused Ms Morgado and her management team of restricting their independence by imposing stricter budgetary and administrative controls. Peter Wise, Lisbon

### Former Socialist chief sentenced

Rightwing politicians in Italy yesterday condemned as political victimisation the three-year prison sentence imposed on 80-year-old Giacomo Mancini, the one-time Socialist leader and long-time party potentate in Calabria, for obtaining votes from the 'ndrangheta, the Calabrian Mafia, in return for favours. Organised crime has long been suspected of drumming up votes in the south in return for political protection. But this is the first such case accepted in court. Crucial evidence came from former Mafia members collaborating under witness protection programmes.

The judges chose to ignore character testimony from such witnesses as former president Francesco Cossiga. Mr Cossiga testified that as a former interior minister he had never had any information suggesting Mr Mancino, a key figure in the centre left of the 1960s, of being linked to the Mafia. It is unclear whether he will have to go to jail. But the case is likely to add a new elemen sensitive issue of instice in the election campaign. . Robert Graham, Rome

# IGC? What IGC?

Danes are the most aware in Europe about the coming Commission yesterday.

Household consumption of manufactured goods (annual change) 2% JMM. -2%-1994

was unchanged last month. after a revised 5.0 per cent rise in January compared with December, France's national statistics institute,

The February figures are encouraging and suggest the French economy will avoid a recession, economists said. "The numbers were good overall because after a 5.0 per cent increase in January, we could have seen a decline in
February," Mr Philippe
Brossard, an economist at ABN Amro, said. "This is a guarantee against recession.

Mr Brossard said the stability of spending at January's high

The state of the s

The state of the s

September 1991 State of State

On the second

ALL STREET

in the first quarter.

French retail sales fell a provisional 4.7 per cent in

compared with the average of the previous three Reuter, Paris

# Spain current account surplus up

January, compared to a surplus of Ptall@bn in the same by the Bank of Spain yesterday.

an increase in the surplus in services, which offset the widening trade deficit and a lower surplus in net transfers, under the new method. Under the previous method, Spain recorded an Pta894.5bn surplus in 1995, compared to a deficit of Pta565.6bn in 1994.

 The Czech Republic recorded a deficit on its merchandise balance of trade of Kč15.286bn (\$561m) in January and February combined. Exports in January and February amounted to Kč96.876bn, up 19.2 per cent from January and February 1995. Imports amounted to Kč112.162bn, up 23.5 per



US pop idol Madouna (centre front) plays Eva Peron during filming in Budapest yesterday of a scene from the Alan Parker film, Evita.

cit. At the beginning of the

year, Sberbank had committed

more than a third of its assets

economist in Moscow.

# Bonn proposes lean agenda for IGC

Kinkel warns European Union partners that

conference goals should not be too ambitious

Germany yesterday called for a lean agenda at the European Union's intergovernmental conference that starts in Turin this week and expressed disappointment at Britain's refusal to accept greater integration in

Outlining a 21-point list of specific reform proposals, Mr Klaus Kinkel, the foreign minister, said Boun wanted the IGC to concentrate on the key issues of making the EU more capable of common actioo in foreign policy and internal security, Institutional reforms should make it more able to action should be taken to overcome Euro-fatigue among voters by making the EU more

open and transparent. Mr Kinkel underlined that the IGC was a "step, not a final stage" in the process of Euro-pean integration. It was important not to set goals that were too low. But equally, unrealisticly ambitious objectives could jeopardise other parts of the EU's agenda for the end of the century: such as economic and monetary union, the start of negotiations to admit new members, and reform of the EU's finances and common Germany outlined its pro-gramme for a more efficient and security policy at the end of February after reaching agreement with France on a joint approach to the IGC in

Yesterday, Mr Kinkel said Bonn also wanted concrete progress on internal security issues to combat such problems as internationally organ-ised crime and drug traffick-ing. He spelled out specific goals for the first time, includ-

 strengthened co-operation among police forces with the long-term goal of a European police authority; harmonisation of standards

in criminal and civil law; EU-wide approaches on visa policies, the right of asylum, immigration and co-operation among customs authorities; including among EU duties, the combating of racism and fraud at the expense of the EU

To combat Euro-fatigue, Mr Kinkel said Germany wanted to breathe new life into such concepts as subsidiarity, democracy and transparency. in particular, Boun wants the principle of subsidiarity spelled out in a protocol to the EU treaty so that policy-mak-ers can easily check whether there is any "value added" to implementing policies at a European level rather than closer to the citizen, To increase transparency in the EU, Germany wants improved access to documents for citi-zens and organisations, as well as more rights for the European parliament. Citizens' rights should also be strengthened through improved safeguards for basic rights at Union level and the development of EU citizenship in the

treaty.
Among institutional reforms, Germany is seeking more qualified majority voting in the European Council; the introduction of a "double majority", whereby majority decisions in the Council must be backed by adequate popular support; a restriction in the number of commissioners; and a limit on the size of the European parliament to about 700 members.

A key German wish is the introduction of the idea of "flexible integration" in EU affairs. This means any country that cannot go along with progress supported by EU

been nationalised and semi-privatised and endured several revolutions, financial crises and banking crashes, Now, as the preferred bank of the average Boris and

the government solvent.

Monetary Fund over the past

raised about the bank's accountability. Should it, as in communist times, act as a mere extension of the governsbould it place its depositors' and sbarebolders' interests above those of the state? The concerns have come to the fore because of the increas-

ingly important role Sherbank is playing in the banking system since a crisis of confidence temporarily paralysed the inter-bank lending market last antumn. Worries about the solvency of other banks led to a flood of

private money pouring out of Russia's volatile new commercial banks into Sberbank's seemingly safer vaults.
With 40,000 branches and 200,000 employees looking after 70 per cent of all household

between between 80 and 90 per cent of all household deposits in the final three months of Since then, bankers say Sher-

bank has been prodded by the government into keeping the banking industry affoat by relending this money to several casb-strapped institutions - some of which are its own shareholders. But this inevitably raises doubts about the quality of its loan portfolio and the possibility of potentially buge losses should banks

One banking industry source says: "There are a couple of big ity problems that are receiving long-term loans from Sberbank. Either the central bank Sberbank must be making a lot

of money."

The relationship between the central bank and Sberbank is sensitive and complex. The central bank retains a 51 per cent stake in Sberbank and has considerable sway over lts activities.

# **Budapest**

Palm trees have been planted ontside the US embassy in Bndapest's Szabadsag Square as the Hungarian capital is

Aires for a film shoot. Budapest was yesterday bracing itself for weeks of traf-fic jams as streets were blocked and as pop and film fans tried to catch a glimpse of the American singer and actress Madonna, who is starring in the big screen version of Evita. the award-winning musical based on the life of Eva Peron, wife of Juan Peron, the former populist president

of Argentina. accumulating GKOs at prices which otherwise would not prevail in the market and was

is directed by Alan Parker. per cent value-added tax per portion of their assets invested square metre a day. in their domestic bond mar-About 23 locations in and

around Budapest will be few alternative investments in filmed over the next four which such large sums of weeks, featuring some of the money can be sunk. capital's largest squares and oreover, in the past few months Sher-bank's GKOs must

have yielded a spectacular return. As inflation has fallen and foreigners bave been granted broader access to the market, annualised yields on sbort-dated GKOs bave plunged from 130 per cent to about 75 per cent - although they are now scuttling back up again as the presidential elec-Brunswick, a Moscow-based

kets. And, in Russia, there are

stockbroker, estimates Sberbank has earned more than \$2bn from its GKO portfolio in the past few months from this surge in bond prices. But such returns inevitably

entail a high degree of risk. Any abrupt change in Russia's firm rouble policy or a victory by the Communists in the presidential elections could lead to a bond market crash with dire consequences for Sberbank.

The saving bank's depositors have sad experience of being burned before. in 1992, the then state-owned Sberbank's 70m depositors in effect had their life savings wiped out as hyper-inflation destroyed the value of the rouble.

The government is working on a plan to compensate these depositors but the sums involved are colossal. Indexing the value of those deposits to the subsequent rise in inflation would mean that the government would bave to pay out

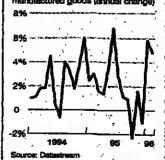
John Thornhill ing days.

intergovernmental Maastricht treaty review conference (IGC), bnt Belgians, who host many of the EU's institutions, are the most ignorant, according to a poli published by the European

The poll showed that just 15 per cent of the EU's population had heard about the IGC, which EU leaders will launch in Turin on Friday. The lack of knowledge underlines the challenge facing political leaders as they struggle to make negotiations on arcane issues such as majority voting relevant and comprehensible to ordinary citizens. Denmark, often ranked as one of the most Euro-sceptic of the 15 EU member states, easily ontscored other countries in knowledge about the IGC. Some 37 per cent of citizens were aware of the conference, while only 9 per cent were aware in Belgium, and just below 10 per cent in the UK. Lionel Barber, Brussels

### **ECONOMIC WATCH**

# French spending steady



Insee, said yesterday.

levels ensured the economy would grow by at least 0.3 per cent December, following a rise of 4.4 per cent in November, according to figures from Insee. December sales were flat

# Spain posted a Ptal17.1bn (\$937m) current account surplus in

month a year earlier, using a new accounting method adopted The slight improvement in the surplus in January reflected

principally from the EU. In 1995, Spain swung to a Pta157.9bn current account surplus from a deficit of Pta912.6bn in 1994 AFX, Madrid

cent from the previous year.

# Irish may seek to join Nato peace partnership will place Irisb forces under a

By John Murray Brown in Dublin

ireland yesterday opened a potentially divisive debate about its policy of military neutrality, on the eve of the launch of the intergovernmental conference on the future of the European Union.

Mr Dick Spring, the Irlsh foreign minister, gave the broadest of hints yesterday that his country would seek to ioln Nato's partnership for peace, a policy devised to bring the former Communist countries of eastern and central Europe into the western European security umbrella. Unveiling Ireland's first ever

white paper nn foreign policy, Mr Spring sald be was not contemplating full membership of elther Nato or the Western Enropean Union defence organisation, the defence arm of the EU. Nor was Ireland proposing to assume the mutual defence obligations of the two blocs.

However, he indicated for the first time that Ircland intended to discuss with the WEU the possibility of taking part in humanitarian and rescue tasks, and peacekeeping, on a case by case basis. He also said that the govern-

THE FINANCIAL TIMES THE FINANCIAL TIMES
Published by The Financial Times (Europe)
Gmbll, Nibelungunplate 3, 60318 Frankfurt am Main. Germany Telephone + 49
60 156 850, Fax + 430 9 596 4818 Represented in Frankfurt by J Walter Brand,
Withelm J. Brussel, Colm A. Kemard as
Geschäftsführer and in Londom by David
C M Bell, Chaurman, and Alan C. Miller.
Depuily Chaurman, Shareholders of the
Francial Times (Europe) GmbH are The
Francial Times (Europe) GmbH are The
Francial Times (Europe) Lul, Londom and
F.T. (Germany Adverting); Lul, London,
Shareholder of the above mentanged two
companies is The Financial Times Limited,
Number One Southwark Bridge, London
SEI 9HL
GERMANY:

GERMANY: GERMANY: Responsible for Advertising: Colin A. Ken-nard, Printer. Härriyet International Ver-lagsgezellschaft mbH. Admiral-Rosendahl-Straus: 31, 63263 Neu Isunburg ISSN 0174 7363. Responsible Editor. Richard Lam-bert, eto The Financial Times Limited, Number One Southwark Bridge, London err, etti.

PRANCEI Publishing Director P. Maraviglia, 42 Rue La Boètie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253, Printer: SA. Nord Eclair, 1572 Rue de Caire, F-59100 Rouban Cedex I. Editor Richard Lambert. 155N: 1148-2753. Commission Printers No. 7508D. Paritaire No 67808D.

Responsible Publisher: Hugh Carnery 465 015 0056. Printer: AB Kvålfstidningen ora ouse. Printer AB Kvälistidningen Expressen, PO Sox 6007. S-550 06, Kukeyung. O The Fuancial Times Limited 1996.

Editor: Richard Lambert, co The Financial Times Limited Number One Southward Bridge, London SE: 9HL



Dick Spring: discussions on

Nato command. There will be a debate on the white paper in the Dail, the Irish parliament, before Mr the IGC on a common defence policy, and "when the time

### Spring and Mr John Bruton, the prime minister, leave for Turin tomorrow for Friday's launch of the IGC. With the accession of Austria, Sweden and Finland, Ireland is no longer the only neutral in the EU. But the government helieves the Irish must "be a constructive particinant" in any debate within

# humanitarian and rescue tasks

party, has said it will oppose any move on the partnership

# came, Ireland would be willing to enter into negotiations on a

ment would consider, along

### with other Union neutrals, a new institutional arrangement with the WEU without entering into mutual defence pacts. With the public stili sceptical of any moves to dilute Ireland's neutrality, Fianna Fail, the main opposition party and Ireland's largest

# for peace, which it believes Romanian curbs hit forex trading

By Virginia Marsh Romania's interbank foreign exchange market saw little activity yesterday, the second day of trading after the central bank limited market-making to just four, mainly state-owned.

hanks. "The market is not working at all," said a forex dealer at one of 18 local and foreign banks now restricted to buying and selling currency for nonbanking customers only.

Of the four market-makers three powerful state banks and one private sector bank - two bad quoted only bid prices to buy foreign exchange and had not posted sell prices. Telephones at the other two were eogaged or not answered. Other brokers said they had

ligible amounts through the interbank market and estimated daily turnover had dropped to \$1m or less, from averages of around \$20m before the central bank last week removed the dealing licences of 18 of the 22 interbank market

members The central bank acted in an apparent attempt both to tighten banking snpervision and to prop up the leu.

# succeeded in trading only neg-

common defence policy".

that the security debate could persuade the EU to bring for-

ward the debate on enlarge-

ment to take in the countries

of eastern and central Europe

most directly affected by Rus-

As a small peripheral econ-

omy, and the largest per cap-ita net recipient of EU funds, Ireland is particularly con-

cerned about enlargement. The

white paper says It is impera-

tive that enlargement "should not undermine the application

of cohesion policies to existing

sia's proximity.

Western bankers fear that the foreign exchange problems will have a negative impact on the country's international standing at a time when it is planning its first Eurobond issues. Mr Mugur Isarescu, ths central bank governor, is due to make his first public comments on the matter today.

### Nation's piggy bank holds up Russian system or a financial institution with a perfectly dull name Russiale cent of Sherhank's shares were transferred to other commername, Russia's State cial banks, has strengthened again this year. One of the first moves of the incoming central Savings Bank, Sherbank.

market.

boasts a tunultuous history -and one that, in its current chapter, places this national hank governor, Mr Sergei Dubi-nin, was to appoint Mr Andrei piggy bank at the heart of tha Kazmin, a former colleague at country's financial system. Founded by Tsar Nicbolas I in 1841. Sberbank has since the finance ministry, as Sberbank chief. At times, Sberbank appears to be acting as an alternative central bank helping to finance tha government's budget defi-

Natasha, Russia's biggest bank has attracted about three-quarters of all bousehold savings and has been using that money to keep other banks affoat and

By buying government boods, Sherbank has, in effect, lent the Russian government as much as the international But questions are now being

ment's monetary policy? Or

deposits, Sherbank is Russia's biggest bank by a large margin. It is estimated it sucked in

well known banks with liquidis telling them to do this or

But it is believed its grip, which slackened after 49 per

# welcomes Evita and its star By Virginia Marsh in Budapest

transformed into 1950s Buenos

to buy Rbs30,000bn (£4bn) of Treasury bills, known as GKOs, accounting for almost a third of the government debt "I would be more than a little concerned if Sberbank, acting on the instructions of either the central bank or government or both, was to be

playing a quasi-central bank role," says one senior western Sberbank's supporters see nothing wrong with its plunge into the GKO market. After all, many other national savings banks have a far higher pro-

> best known sites. The sbooting also promises employment for about 3,000 local people, many of whom will appear as extras for street scenes. "It's less expensive to film here than in many other countries, but Budapest was also cbosen as It is less modern than western cities. It has several bulldings and streets which can be transformed into Buenos Aires of the 1950s with only minor changes," says Mr Laszlo Helle, president of Transatlantic Media Associ-

> > ing location shooting in Budadeclined to specify how much of the film's total budget, esti-

ates, the American-Hungarian

"I can only tell you it's a lot

[filming] schedule is bere. We'll be spending fast and furiously in a short time. It will he a huge boost to the local economy," says Mr Andrew Vajna, the producer. As well as employing extras, the Evito team has rented around 130 botel rooms, most of them in downtown luxury

end of Communist-era subsi-In addition, shops and other

As the cameras started rolling, the local film industry and the city anthorities were beginning to add up the extra cash and jobs Evita will bring to Hungary. The film, one of an increasing number of foreign productions being filmed locally, also stars Spain's Antonio Banderos and

Britain's Jonathan Pryce and The city of Budapest will collect hefty rental fees for the use of its pavements - it is charging Ft600 (£2.75) plus 25

toint venture which is overseemated at around \$50m, will be

spent in Hungary.

hotels, and hired local studios and a local film crew of 150 a welcome boost to the country's beleaguered film industry, hit hard hy the

companies will be compensated for lost business on filmTYMARCH 27 IN

prevent a rerun of ker ry of Defence and the ised wages for their a unforesee<u>a</u> istries from part of the new law is itrant regional oids regional x breaks and outline. dministrations ected taxes to rystic Freeland Mean

ution е group, has accused intrad an mudergraff. agies to Divarpaging ie company bas ited water into the ath of the city's water and saits, was leids in the region. operation, said the when it decided in programme to phase of the water produc

Robert Cornine, Land 5 resign mugal's state rday after a conflic is to cut costs at the if as a second blong Bessa quit as er Sunday shopping ant, was one of a filmies appointed in Hion last October. and operating loss of

mation last week d

ther production

situs stricter

management test

Falet Wise, Little

voir. The company

tre too low to threse

sentencel ademned as n sentence imposed #2e Sivitalist leader for obtaining votes . in return for spected of for political

a epied in court. rammes. mony from such ssiga. Mr Cossiga e had never had sey figure in the 🤌 Mafia. It is But the case is issue of justice in

the coming o posiference (IGC) sunutions, are the diry the European te FU's populación i i wi launch in

dorlines the rogyla to make rit; noting relevan culture k. ofteo he is EU me**mber** mon ledge about  $\{w_{\Delta}\}_{\alpha}^{*} \ll 2h^{\alpha}$ re ut Selgium, as те: Батыт, Впия

eady gsumer spending

mped last mouth ised 5.0 per cent uary compared

uber France's artistics institute yesterasy. TEAT STORE OF is and suggest the enorm, will avoids economists said tors were good muse after 250ps ise in Junuary, we Sect 2 decline in ar economist at dealust recession at least 0.3 per of

ales were flat Figure Par surplus up ecount surplus it in the same is method adopte

November.

January reflected erise the 1 Bet Wallster g to a Perlando 1912 Sbn in 184 nethod. Sp.un pared to Liteful Ten Hour

its merchanise mary and February m Januari 32bn. up 25.5 38

# New Spanish PM may take three weeks to form government

# Aznar in search of support

Spain's parliament meets today for its first session following the centre-right's narrow election victory this month, but is likely to have to wait three weeks or more before voting a new government into office.

The convening of the new congress opens the way for King Juan Carlos to begin consultations with party groups, before inviting Mr José María Aznar, the Popular party leader, to form a govern-

But Mr Aznar yesterday refused to say how soon he expected to agree with regionalist parties to secure backing for the PP, which has a minority of 156 out of 350 seats in congress. He said fresh talks between the PP and the main regional parties in Catalonia, the Basque country and the Canary islands would be held in the next few days. Together with a single parliamentarian from a regional party in Valencia, these would provide the PP with a further 26 seats - enough for a solid majority - if they all agreed to back Mr Aznar's investiture.

However, Mr Aznar said he would discuss "neither numbers nor dates" at this stage. He expected to hold a second meeting "in the near future" with Mr Jordi Pujol, the Catalan leader, whose support is essential for forming a stable government. But no date had been fixed. Colleagues of Mr Pujol said yesterday they did not expect an investiture vote before late

Spain's constitution sets no fixed period for the nomination of a prime ministerial candidate. But if the first candidate loses his investiture vote, there is a two-month deadline for finding an alternative. Failure to form a government in this period would lead automatically to new elections, which all the main parties say they want to

Mr Aznar said concrete policy discus sions had yet to begin, particularly on the financing system for regional governments
- a crucial issue with the Catalans. There were "various formulas" for a new system based on a sharing of tax-raising responsibilities, he said, but cast doubt on prospects for completing work on a new system before the investiture vote.

"I am in favour of taking the regional financing question directly by the horns, he told a press conference. "But I want to seek as much consensus as possible between the different regional governments." He also said be expected a "strong commitment" from the regions to helping Spain meet its overall target for reducing the public sector deficit.

PP speakers are expected to be elected for both houses of parliament, under a preliminary agreement with Mr Pujol's Convergencia i Unio (CiU) coalition. The junior Christian Democrat partner in CiU initially sought to fill the speaker's post in the senate, where the PP has an outright majority. But the Catalan coalition quashed the plan, to avoid any presumption being made about a future deal with

The Socialists, led by the outgoing prime minister Mr Felipe González, bave objected to the choice of Mr Federico Trillo, a combative right-winger, for the congress post, saying they would be will-ing to back a different PP candidate.

# Ukraine unmoved by 'union'

By Matthew Kaminski in Kiev

Ukraine, which would be critical to any reconstituted Russian sphere of influence, is seeking to distance itself from the deeper integration agreed at the weekend hy Russia and Belarus. The proposed "union", an

ambiguous deal scheduled to be signed next Tuesday, has been trumpeted by Russian leaders as a model for other ex-Soviet republics. Belarus, Russia and Kazakhstan last year formed a customs union. which Kyrgyzstan plans to join

The recent moves do not worry Ukraine, the second largest Slavic state, "as long as no one seeks to suck us into any type of union, created in unnatural conditions", said Mr Hennady Udovenko, foreign

minister. "Russians might think it'll have a domino effect," said Mr Sherman Garnett, an associate at the Carnegie Endowment for

International Peace in Wasb- and industrialised eastern ington. "But it just shows some provinces. countries will depend on Russia and some will break with

Ukrainjans appear more likely to join the latter group of ex-Soviet republics - those with a better developed national identity and tradition of self-government.

Many Ukrainians, aware of their history of centuries of often bloody and repressive Russian domination, argue that integration only masks Moscow's chauvinistic attitude to its former colonies.

Opinion polls show support for Ukrainian independence weakening, as the economy continues to deteriorate. But analysts say nostalgia for the Soviet period has not found a political outlet.

The president and prime minister remain the two most popular leaders. The regional elites have came out behind Ukrainian independence, even in the mostly Russian-speaking

Yet the growing uncertainty ahead of the Russian elections has pushed Ukraine toward a more aggressive pro-western stance. President Leonid Kuchma wants to adopt a constitution before June making Ukrainian the official language and forbidding dual citizenship for Ukraine's 12m ethnic Russians. He has also expressed interest in "wider co-operation

with Nato". Ukraine still depends on Russia for energy, and its large military-industrial complex is largely unrestructured, but the International Monetary Fund. which had suspended aid to Ukraine because of the slowness of economic reform, has promised to renew financial support by next month.

Nationalist politicians - particularly outraged over the deal between Belarus and Russia - fear that the Communists will exploit the recent change in mood at the Kremlin.

"The agreement is a timely present for the leftists in Ukraine, [wbo] are not able to restore communism or recreate an imperial Russia without outside help," said Mr Vyacheslav Chornovil, leader of Rukh, the largest nationalist party in parliament.

The Russian and Ukrainian Communist parties - the biggest blocs in the respective parliaments - have close ties. But Ukraine's Communist party lacks its Russian counterpart's political organisation. Moreover, the large Ukrainian left has a strong nationalist wing, unwilling to compromise on independence and deeply

splitting the movement. Russian President Boris Yeltsin this week even claimed that Mr Kuchma "wants to join [the Belarus-Russia union], hut something's hindering him". He confirmed his intention to hold a long-delayed summit in

Kiev on April 4. Most doubt that Mr Yeltsin will fulfil the engagement.

# Yugoslavia-IMF talks clouded by debt problem

By Paul Wood in Belgrade and Bruce Clark in London

The rump Yugoslav state, consisting of Serbia and Montenegro, will take a fresh step towards rehabilitation today by holding exploratory talks in Paris with the International. Monetary Fund and the World

However, the Paris talks will be overshadowed by the continned quarrels among the ex-Yugoslav republics on dividing up the communist state's debts and assets - and also by the cautious attitude of the US

Mr. Jovan Zebic, Belgrade's finance minister, has said the rump state will not apply for IMF or World Bank membership at the Paris talks because it considered itself entitled to the defunct communist state's seat in those bodies.

But Belgrade will use the talks to underline its keenness for a comprehensive financial settlement between ex-Yugoslav republics, cemented by a meeting of the region's central bank governors. The IMF has issued its own proposals for dividing up Yugoslavia's financial legacy, known as the IMF

Belgrade has been frozen out of both the IMF and the World Bank since the hreak-up of Tito's state and the imposition of UN sanctions against Serbia.

Despite the formal lifting of most punitive measures in December, US officials have said an "outer wall" of sanctions - including a bar on soft credits - should remain in place as long as Serbia mistreats its Albanian minority. Belgrade officials have said they will use the Paris talks to

present short- and mediumterm development programmes, and underline their country's keenness to obtain stand-by credits and reschedule longer-term debts. The Yugoslav delegation will be



Italian soldiers remove razor wire from a bridge separating Sarajevo from its formerly Serb-held

suburb Grbavica vesterday headed by Mr Dragoslav Avra-

movic, the national bank governor and former World Bank official who in 1994 succeeded in taming Serbia's byper-infla-The Yugoslav dinar bas begun to appreciate against the

YD3.6 per DM at the start of the month to YD3.4 yesterday, against the official rate of

But western diplomats say efforts to bold the currency at its present value may have a terrible cost, as there is no D-Mark on the black market. money for the credits farmers need to do their spring plant-The price offered by Belgrade street dealers has moved from

Serhia's farmers have been squeezed by a price regime which last year paid them less than the cost of growing their wheat. One western ambassador said the rural economy was threatened with a disaster. which could see wheat being imported into Yugoslavia, one of Europe's traditional bread-

# German building strike looms over pay for foreign workers

By Wolfgang Münchau

The threat of the first nationwide strike in Ger-many's building industry since the second world war appeared to grow yesterday after the failure of the first round of arbitration between unions and employers.

The hitter dispute is about the introduction of a minimum wage for workers from other European Union states, to prevent "wage dumping" by for-

eign-registered subcontractors. Under current rules, subcontractors based in another EU country can legally undercut German pay rates by recruiting in their own countries at local rates then sending the

With unemployment in the German building industry hitting 20 per cent, the issue has become highly emotional and is intertwined with a debate

workers to a German building

about immigration. Union leaders say their desire to price foreign workers

out of the market is not xenophobic but merely a device to ensure that the same work carries the same wage. Construction companies say a high min-imum wage would render the industry uncompetitive, and many companies would face

IG Bau, the building workers' union, is demanding a minimum hourly wage of DM19.58 (\$13.24) which is below the lowest national wage band but compares with a going rate of about DM12 paid on German building sites to Portuguese workers. The employers bave

offered DM15. Mr Klaus Wiesebügel, president of IG Bau, said: remain several tens of thousands of jobs apart", a reflection of IG Bau's view that the smaller the gap between German and foreign wages, the greater the employment effect

on German workers. There were suggestions yesterday that the employers might be prepared to offer DM17, but IG Bau says it is

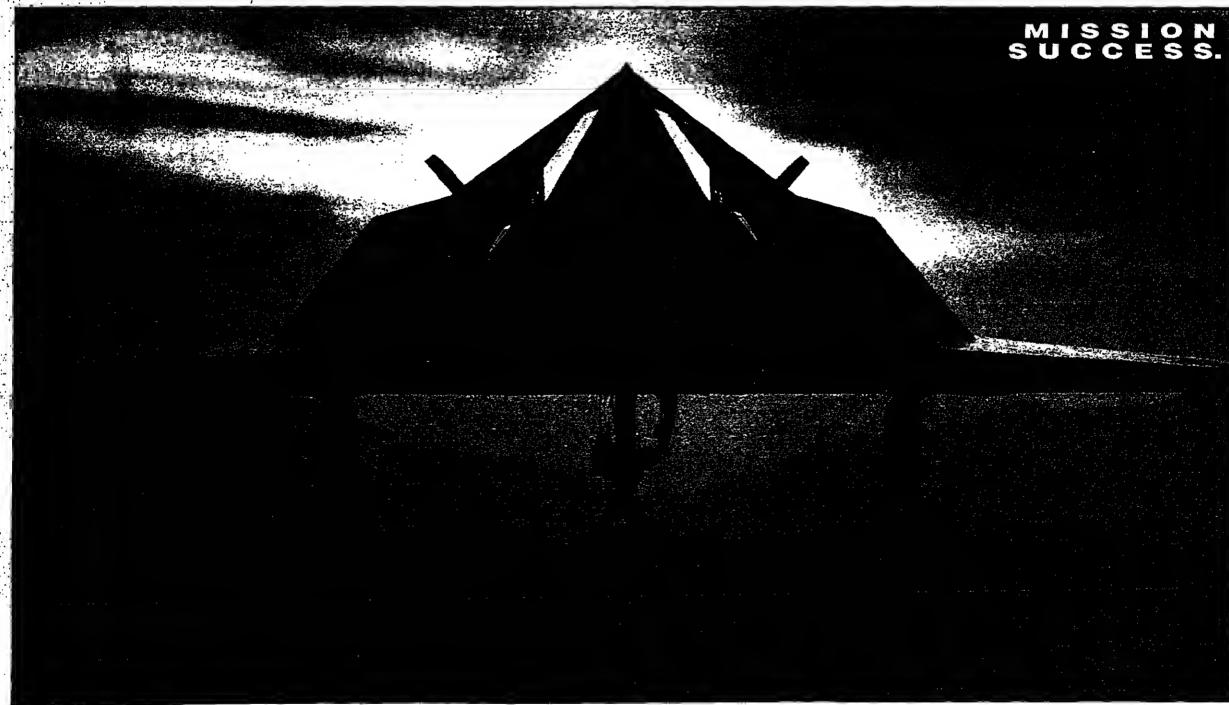
mise, since this would merely cement the disadvantage of

German building workers. The German government has introduced a law preventing foreign-registered companies undercutting German wage levels in the building industry, But it cannot come into effect until employers and IG Bau agree on a minimum wage. Failure to agree would render

the law ineffective. After the failure of several rounds of negotiations, both sides agreed to appoint Mr Hans Apel, a former finance and defence minister, as an arbitrator.

Mr Apel yesterday called another round of arhitration for next week. If no agreement is reached by mid-April, IG Bau is likely to ballot its members about a nationwide strike

in a separate dispute, IG Bau and building employers have failed to agree on this year's wage increase. Employers are offering 1.3 per cent, against 5 per cent demanded by IG Bau. The wage round bas also gone unwilling to reach a compro- to arhitration.



Success is more than developing new technology. We believe the true test is keeping our promise to customers, shareholders and employees. So we draw on resources across the breadth of our company and deliver innovative solutions. On time. On budget. All the while, providing a stimulating environment to attract and keep the best talent in the industry. For us, Mission Success isn't a slogan. It's a commitment.









Mission Success

Cuba's neighbours are increasing their trade ties with Havana in spite of US moves to tighten the economic embargo against the island.

In search of new markets, a group of Caribbean manufacturers are visiting Cuba this week on a trip organised by the Caribbean Export Development Agency.
The visit follows the denun-

ciation by several Caribbean countries of US moves to tighten its economic embargo on Cuba hy punishing third countries, companies and individuals doing business with the island.

The mission will comprise about 25 companies which manufacture processed food. electronic equipment, con-struction products, packaging material, footwear and chemicals. The manufacturers will meet Cuban trade officials and hold a trade fair in Havana.

"This mission is of historic significance, given the com-mercial importance of Cuba to the wider Caribbean," the agency said. "It augurs well for the ongoing process of Caribbean integration."

Cuba's neighbours maintain that the US economic embargo is redundant and that isolation will not initiate change in Cuba. Several have been trad-ing with and investing in Cuba and have opened markets there for a range of products including soaps, petroleum products, constructioo material and processed food and drink.

Caribbean businessmen are unperturbed by the threat of punishment under the Helms-Burton Bill, the legislation under which the US says it will punish those with economic ties with Cuha, "Despite its economic problems, Cuba is a potentially incrative market for Caribbean companies, and since the US companies and government do not want it, we will make use of it," said one

member of the mission. Several Caribbean governments have dismissed the Helms-Burton bill. "It has elements of extra-territorial legis-lation that are beyond the abil-ity of the US government to implement." said Mr Phillip Goddard, Barbados' minister of international trade and business. Barbados and Cuba signed an investment treaty | ied by top iobbyists from the

# Caribbean ties with Havana increased By Canute James in Kingston Cuba's neighbours Cuba's neighbours Cuba's neighbours The island's tobacco industry, revitalised by foreign financing, is hoping to rekindle a century-old fashion for pointed cigars. Pascal Fletcher translates the smoke signals I be collapse of the former Soviet Union, the island's marketing director, frankaus marketing director, said he was "chuffed" with Cuba's world famous (cigar industry, remerging from a production slump of Cuba's choice of Britain as the US economic elegans for export, both hand-fless makes in Kingston Cuba's kinger for export, both hand-fless makes in Kingston Cuba's choice of Britain as the US economic elegans for export, both hand-fless makes in Kingston Cuba's choice of Britain as the US economic elegans for export, both hand-fless makes in Kingston Cuba's kinger for export, both hand-fless makes

with the belp of foreign credits, is hoping to rekindle a centuryold smoking fashion hy launching a new *figurado* or Havana cigar pointed at both ends.

Britain has been chosen as the market in which to launch the small cigar, to be called cuaba, a word used by Cuba's former Taino Indian inhabitants to denote a local species of quick-burning busb they used as torches or lighters. The launch, in four vitolas or sizes. is expected in early November. Cuban cigars, shaped as double-pointed torpedoes were the fashion last century but fell from favour during the 1930s, giving way to straight-sided Havanas. Habanos, Cuba's state cigar company, hails the cigar launch as a sign of recovery in the tobacco sector after a slump caused by bad weather

Badly hit by lack of fuel, fer-tilisers and other inputs after

els. Cuban tobacco farmers even had problems obtaining fine string and muslin with which to tie and cover plants.

Cuban officials estimate the production slump may have cost the island more than \$500m in lost cigar and tobacco exports between 1990 and 1994. But the input problems have been resolved through foreign financing since late 1993, now totalling about \$40m a year. The biggest single source of financing is Spain's state

tobacco company, Tabacalera, which provides more than \$25m to half of Cuba'a tobacco growing vegas or plantations. Smaller credits have come from Seita of France which, like Tabacalera, buys both finished cigars and leaf tobacco from Cuba, and other foreign importers, such as London-based Hunters & Frankau, which since 1990 has been the exclusive distributor of Cuban

He saw evidence of a better quality crop when he visited western Pinar del Rio province, the main tobacco growing region, earlier this year.

e said: "What I saw was the most encouraging signs I've seen for ages. Better leaves, better plantations, better tapado [the muslin screens that cover some of the plants)." Other recent reforms include

the distribution of parcels of land to peasant families to

grow tobacco and hard cur-

rency incentives to tobacco Despite some disruption from heavy rains in late December and early January, Cuban officials predicted this year's tobacco crop, now in the final stages of harvesting, would increase to some 750,000 quintales (34,500 tonnes) from 650,000 quintales in 1995. This

Foreign importers said that despite the improved tobacco harvest since 1994. Cuba had been struggling to supply existing export brands. One problem had been a shortage of good-quality capas, the leaves that produce the outer wrappers for cigars, which require especially careful cultivation. "We are all optimistic that

there will be more wrappers this year." said Mr Adriano Martinez of Habanos. Habanos officials calculate Cuba's current cigar exports, which earned the island more than \$100m in 1995, supply only just over half the potential world market for Havanas, estimated at around 115m

units. A US trade embargo on Cuba bars Cuban cigar sales to the US market, where Honduras and the Dominican Republic are the main suppliers.

Mr Martinez did not believe recent US legislation that resentative in Cuba, Mr Javier Plantada, declined to comment.

Although hig Havana cigars, such as the well known Churchills, have become increasingly popular around the world, Mr Chase believes the smaller cuabas, will be welcomed by eigar aficionados "It's the recreation of an old tradition. It's a novelty, it will widen the choice," he said. Mr Martinez said Habanos

was training a group of expert cigar rollers in the art of handrolling the new *figurados* or ebaped cigars. "You need to form the two ends correctly, to get the right combustion," Mr Chase said. He conceded that the figur

ado Havana might take a while to make its comeback, just as it had taken several decades for it to fade from fashion in favour of the straight-sided cigar, "We won't launch it like a soap powder," he said.



Sorting cigars at a Havana factory: officials are forecasting an increased harvest this year

# **US** considers sanctions in China nuclear row

By Nancy Dunne in Washington

US administration officials are reviewing the imposition of trade sanctions against China for its alleged transfer of nuclear technology and failure to abide by a bilateral intellec-

tual property rights agreement.
Officials may meet as early as this week to consider a response to China's reported transfer of nuclear technology and missiles to Pakistan and missile sales to Iran.

China's aggressive actions surrounding the Taiwanese elections bave also brought new pressure to bear on the administration.

The White House will also be asked to authorise Ms Charlene Barshefsky, the deputy trade representative, to threaten immediate sanctions against China if she is unable to reach agreement on intellectual property rights during a trip to Beijing early next month. She will be accompanwbo have advocated \$2hn of retaliatory action against Chinese imports.

The administration's actions are being monitored on Capitol Hill, where business lobbyists believe they are facing their most difficult battle in getting Congress' yearly approval for continuation of China's Most Favoured Nation trading status. MFN allows Chinese goods to enter the US with the same low tariffs granted to most other trading nations.

The congressional working group on China, which bas tried to link MFN renewal to Chinese good behaviour in the past, plans to consider new proposals to partially withhold MFN tariff treatment.

The immediate difficulty for the administration is the pro-liferation question. If the State Department determines that China 'wilfully aided or abetted" Pakistan to acquire nuclear weapons or material, China could be depled financing credits by the US ExportIran, the US could instruct officials to oppose Chinese loans from the multilateral development hanks.

Election year pressures, how-ever, could force a tough response. President Bill Clinton already faces criticism that he has caved in to the business lobhy and lost credibility with

Beijing. Eximbank's China window was closed for 30 days last month on a request from the State Department. The suspension expired last weekend, and Eximbank on Monday reopened to China, although

no new loans were to be con-sidered by its board this week. Eximbank is caught in the congressional crossfire over a loan application by Caterpillar for financing the controversial for financing the controversial Three Gorges Dam project. The Illinois delegation in Congress has urged approval of tha loans. Congressmen of both parties yesterday signed a letter urging Mr Martin Kamarch, acting Eximbank president, to refuse lending for the dam. Accord 'will provide credibility for those seeking foreign investment'

# CD pushes investment rules

The head of the Organisation for Economic Co-operation and Development forecast yesterday that many non-member governments would volun-tarily subscribe to an agreement on international investment rules being negotiated by the OECD.

Mr Jean-Clande Paye, the organisation's secretary-general, said the planned accord would provide a "certificate of respectability and credibility" for countries seeking to attract foreign direct invest-

"I would guess - I would bet hinding rules for the treatment - that many non-OECD coun-

tries will be keen on signing such an agreement," he said. "The number of countries wanting this kind of certificate is very great. They are competing for foreign direct invest-

Mr Paye, who steps down from his job in May, said that though OECD non-members could not participate formally in negotiating the agreement member governments might

the final stages of drafting He also suggested that it was unlikely that the planned OECD accord, which would set

agree to involve them directly

be followed soon by a similar agreement in the World Trade Organisation.

It is a bit early, probably, for the WTO, which is a brand new organisation, to enter into the actual negotiation of something of that degree of complexity and ambition," he

The proposed OECD agreement, an outline of which is expected to be presented to the WTO's ministerial meeting in Singapore in December, has aroused controversy and even hostility in many developing

Mr Renato Ruggiero, WTO director-general, has warned that they would strongly resist any attempt by industrialised governments to impose the for the WTO.

Sir Leon Brittan, Europe's trade commissioner, has suggested that the OECD negotiations should be transferred to the WTO before they are concluded. But his proposal is opposed by the US.

Mr Paye said that, in any case, some developing countries, such as India, did not want the WTO to start discussing investment rules yet. "So should we wait for everybody in the WTO to he prepared to enter into negotiation before doing anything? No," he said. Paye and the poor, Page 5

# Air cargo deal still eludes Japan and US

Japan and the US yesterday ended the second day of their air cargo talks without an agreement and will continue

negotiations today. This fifth round of talks is aimed at setting up a new framework for air cargo transport between the two countries following a prolonged dispute over rights to third destinations. The two sides are seeking to bridge the gap over how to ensure fair access to the growing trans-Pacific air cargo

"We may need some more time before we reach an agreement," a Japanese negotiator said yesterday. "I think the gap between us may he narrowing from the last round (at the beginning of March]," he said. In the latest round Japan and the US discussed the issue of Japan's Nippon Cargo Airlines and United Parcel Service

of the U.S. Both countries are eager to ease restrictions on cargo flights, but there are still differences on how this should be implemented.

The US is calling for an open skies policy with unrestricted access for US cargo carriers to the market covering the US and the Asia-Pacific region, including Japan. However, US airlines are seeking differing outcomes. United Airlines wants to

increase the flights it could make from Japan to third countries. Other US airlines such as American Airlines are concentrating on increasing US-Japan traffic.

The Japanese side, however is concerned that open skies would give US carriers an unfair advantage over Japanese companies, which have heen kept from developing their trans-Pacific business hy uneven restrictions on their US cargo flights. Under the present agree-

ment, Japan's two cargo airlines, Japan Air Lines and Nippon Cargo Airlines, can fly only a limited number of times per week to certain US cities. The two big US cargo airlines, on the other hand, have unrestricted access to Japan's main airports in Tokyo, Osaka and Okinawa, and from there to other destinations in Asia and the Pacific

France and the US yesterday decided to reverse their unilateral cuts last week in the sum mer flight programmes of each other's carriers, and to negotiate towards a bilateral air transport agreement, writes David Buchan in Paris.

The end to the brief tit-for tat row came in Paris talks between Mrs Anne-Marie Idrac, the junior French transport minister, and her US counter part, Mr Charles Hunnicutt. A US decision to deny Air France half of its requested 24 per cent increase in summer flights to the US this summer prompted retaliation by Paris, which refused virtually all the 12 per cent rise in summer flights requested by six main US carri-

France and the US have not had a bilateral air accord since 1992. French officials estimated that a new agreement may take several months.

WORLD TRADE NEWS DIGEST

# **Motor industry** set to contract MECEC

The world motor industry is set for further rationalisation. cuts and margers, according to Mr Alex Trotman, chairman of Ford. Overcapacity and weak demand in established markets, meant contraction was inevitable, especially because customers had grown more fickle and demanding, he said.

The current structure of about 50 car brands and 300 main models in Europe was unsustainable in the long term. "Some of the nameplates are going to disappear in the next 10 years Changes within the car parts industry, where the number of

leading suppliers had fallen to no more than six for some key components, pointed the way for the motor industry as a whole, he said. Change was being hampered by differing national regulatory standards, he added. "Unique local requirements add cost, time and complexity to operating around the world ... They're certainly a major roadblock to free trade in a business environment that demands global competition." Ford was still advancing with its ambitious Ford 2000

restructuring programme, he said.

The company expected to cut the number of basic platforms on which its cars are built from 24 to 16, while the different engine and transmissions combinations would fall by up to Haia Simonian, London

### France and US land flight deal

France and the US yesterday agreed to allow Air France to make 500 extra flights to four US cities this summer in exchange for France dropping a threatened cut in US airlines' landing rights. Mrs Anne-Marie Idrac, French junior transport minister, said the two countries would hold further talks at a later date to negotiate a new bilateral air transport pact. Since 1992, when the last US-French bilateral air accord lapsed, flights between the two countries need the approval of both

Ford joins up with Sistemaire

Ford is launching a joint venture with Sistemaire, a components manufacturer with plants in Buenos Aires and Tierra del Fuego, to manufacture instrument panels, air conditioning equipment, heaters and other components for supply to Ford's and other carmakers' assembly facilities in Argentina and Brazil. Ford is to have a majority stake in the venture. Ford is to supply manufacturing technology and operating systems; Sistemaire the production facilities and local market knowledge. Full production is due to start next

# US think-tank condemns Nafta

By Nancy Dunne

Tha North American Free Trade Agreement has cost jobs in the US, Canada and Mexico and adversely affected the environment on the US-Mexican border, according to a new report entitled "Nafta's First Two Years - the Myths and the Realities."

The report, by The Institute for Policy Studies, a liberal Washington think-tank, condemns the Nafta model as one which "glorifies" the market place and "views human beings and civil society as little more than customers in a continental shopping mall".

It is blamed for having brought on the Mexico peso crisis of December 1994. Debt service payments had risen from \$11.1bn annually in 1982 and \$32.8bn before the crisis to an estimated \$57.8bn now, the report said. The government had been forced to keep its interest rates high to attract foreign money and reduce capi-

"But the high rates have led to economic stagnation and reduced investment in production for the domestic market." Tha report takes aim at the promise by Nafta supporters that the trade pact would gen-

erate new jobs. Instead, export-

generated profits had financed margers and acquisitions, which last year reached a record \$600bn. About one third of all US redundancles last year had been tied directly to mergers.

The labour side pact to Nafta, negotiated by the Clinton administration, had done little to improve workers' rights. Citing the example of a company in Decatur, Illinois, the report said working conditions had worsened and in 1993 the company had locked out its workers and dropped their health care coverage.

Strikes had brought no improvement and last Decem-

ber workers returned to the production line, accepting a contract that included mandatory 12-hour shifts. The report also criticises

deteriorating environmental conditions. An increase in industrial activity along the US-Merdean border had led to a rise in hazardous waste and no improvement had recorded in the spread of infectious diseases such as hepetitis-A, cholera, and typhoid. Nafta's First Two Years The Myths and the Realities The Institute for Policy Studies 1601 Connecticut Ave. NW. Washington DC 20009, Phone:

# soil is exhausted being destroyed at very quickly by "slasb the rate of thousands of and burn" farming methods. trees a nunute, how can planting just a handful of seedlings make a difference? New tracts of tropical forest would then have

A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other fond, they can now sell the surplus fruit their nursery produces

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia losea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where Itees are chopped down to be used for construction, as in Panama and Pakisian, we supply other species that are fast-growing and easily replaced. These tree nursenes are just part of the work we

do with the people of the tropical forests. WWF sponsors students from developing countries on an agrotorestry course at UPAZ University in Costa Rica, where WWF provides technical advice on

growing vegetable and grain crops.

in be cleared every two of three years. This unnecessary destruction can be prevented by combining modern rechniques with traditional practices so that the same plot of land can be used to

produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 rropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of

natural resources should be sustainable. WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no

net deforestation by the end of the century. Write to the Membership Officer at the address below to find our huw you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.

# هكذامن الأحهل

# over global clearing plan

EMARCH 27 19%

ials are forecasting

nvestment

empt to industrate cents to impose the extremited as a money.

eon Britian, Europe

commissioner, h

is "14: the OECD bes

sin wid be transfere

HTC perpre ther B

ed But his proposals

or said that, in a

un developing com

... as india, did na

With the start discus-

simpor rules yet %

r everybois

The prepared a

No. he said the poor. Page 5

istry

Photolisanon.

··· 🚉 Aarman of

this had markets.

. **main** (الفراد الم

TO THE WORLD TESTS

1 2415 25 2

- A-TEE

hermanias zlobali

Sept. 5. 40 1.89

graf maket blander ny up to

ight deal

M. A. Francis to

on and Sachur on Alder Transport from the Tables and received from Sach and the Land Sach and the Land Sach Country Sach

temaire

A A CONTROL OF THE CO

The second secon

The control of the co

to for Pality And or or other pality and or other pality and or other pality and other pali

ng gaya Labah n, taling otherskip

y - - - Some

11.00 er popular me kuda. A plan by leading international banks to set up a global clearing bank to handle the daily flow of \$1.230hn across the world's foreign exchanges has run into opposition from one of the main organisations providing foreign exchange netting

Netting involves settling a group of mutual ohligations between parties with a single net payment rather than pay-

ing each amount in full.
FXNET, the world's leading... provider of bilateral netting for foreign exchange, has expressed concern that there may be a conflict between netting systems which reduce payments, and the banks' proposal which appears to succeed best when the payments volume is greater.

The clearing hank project, announced earlier this month by the so-called Group of 20 of the world's largest banks, aims to reduce the risk of a pay-ments mishap in the foreign exchange markets which; given the huge sums involved, could have wider ramifications across financial markets.

They are trying to convince us that their approach is complamentary, but it doesn't look like it is," said Mr Peter Bartko, chairman of FXNET. Why would one set of parties actively help put themselves

out of husiness? This dispute has emerged ahead of the release in London today of a report on settlement risk in the foreign exchange markets by the Bank for International Settlements. The report will say that there is a great deal hanks themselves can do to reduce such risks, but Is unlikely to be prescrip-tive between these alterna-

produce an instantaneous settlement system in which a payment by one bank is immediately offset against a matching payment by another bank.

This approach reduces settlement risk by eliminating the timing difference in the processing of linked foreign exchange payments. With net-ting, the emphasis is on reducing risk by lowering the number and amount of payments

crossing the exchange Foreign exchange settlement risk has been a concern of bankers ever since the collapse of the private German bank ID Herstatt in 1974. The bank was closed by German authorities while in the middle of more than \$620m of foreign exchange trades. One leg of those trades had already been paid to Herstatt in Germany, hut in New York - which is six hours behind - the other leg had not yet been paid to the bank's counterparties in the

The Gronp of 20 view is that they are not competing with existing netting organisations. They argue that there will continue to be a role for pre-settle-

Mr Bartko argues that the Group of 20 scheme is potentially damaging to netting in the short term because, faced with an alternative, many banks will prefer to do nothing until they can fully compare what is on offer. He says the Group of 20 initiative is being driven by the payments divisions of the large hanks, which have always resisted netting as a threat to their business.

Many of the large foreign exchange hanks such as Citl-bank and Chase Manhattan are sponsors of netting systems like FXNET as well as of the

# Jobs came on to agenda too late, says OECD chief

By Gillian Tett, Economics Correspondent

When Mr Jean Claude Paye, secretary general of the Organisation for Economic Co-operation and Development, travels to Lille for a meeting of the Group of Seven leading industrial countries next week, he will carry three requests with

Along with calls for G7 finance ministers to boost public confidence in their policies, he wants faster labour market reform and greater efforts to integrate the west's poor and

Such pleas have a familiar ring. But as unemployment rises in many western countries, they have become more

urgent. OECD officials - including Mr Paye himself - increasingly suspect that the move towards a single currency in Europe could increase unemployment in the absence of labour mar-

ket reform. As Mr Paye prepares to leave his post this summer after 12 years, his main regret is that he OECD's recent jobs study, and the dehate it triggered among governments, was so late in coming.

"We could and should have started much earlier," he said in an interview yesterday. "But it was very difficult to persuade member states in tha second half of the glorious 1980s that there was a problem at all."

The delay that dogged the start of the unemployment study is only one small sign of a broader issue that is dogging

the organisation. .. When the Paris-based group was established more than 30 years ago by the US and its western allies, it was intended as a capitalist bulwark against communism. Since then, it has evolved into an influential think-tank and meeting point for leading industrialised

nations, now numbering 26. However, the western dominated-list of these members looks increasingly anachronistic. The OECD is trying to put this right. For example, Hungary becomes the 27th member

But any increase in numbers is likely to leave the OECD with a difficult problem.

tomorrow.

Not only would a larger membership make it difficult for countries to agree on what they want the organisation to do - but it would also threaten the frank, cosy debate that has always heen tha OECD's strength. "This organisation cannot survive if the quality of discussion is deteriorating. It is a very fragile organisation. It has no power, no finances," Mr

Paye said. Some observers helieve Mr Paye has been too slow to tackle these problems. However, he insists that some attempted changes have been blocked by lack of agreement among the members them-

One option, he said would be to "throw the door open" to all market economies with democ-

But ha suspects that the "chemistry wouldn't work easily". Instead, he argued that the OECD should establish



Paye: flexible future

graduated links with outside countries, in order to "tame them progressively". In the long term, he hoped

the organisation could find a role as meeting point between different regional trade groups. in the meantime. Mr Pave denied claims that the OECD focused too much of its attention on Europe. The US and Japan had provided most of the recent initiative, he said, while most European countries

"have no imagination left" after dealing with the problems related to the European Union. Mr Paye's successor, Mr Donald Johnston, is a former Canadian finance minister whose approach and style is expected to be different from those of Mr

Paye, a former French hureau-

crat and diplomat. Meanwhile Mr Paye will soon be dealing with a new issue. In theory he is due to return to the French diplomatic service. But he is unsure whether there will be any role for him there - a sign, perhaps, of the labour market changes that he has spent his years at the OECD trying to highlight.

### **NEWS: INTERNATIONAL**

# Bankers clash Execution sparks riots as Bahrain tensions grow

By Oavid Gardner in Manama, Bahrain

yesterday carried out its first execution since Shi'a Moslem-led agitation began 16 months ago in a push to win a share of power from the country's Sunni Moslem rulers.

Neighbouring Saudi Arabia. meanwhile, injected more money into the small island

Likud leader Benjamin Netanyahn registers to vote

entrepot to shore up the ruling backed by some Sunnis. al-Khalifa family. Mr Isa Ahmed Hassan Kam-

The Gulf state of Bahrain bar, convicted of killing a police sergeant last March, was shot by firing squad before dawn yesterday. This was the first execution in the Gulf's banking centre since 1977, and is seen as an escalation of the confrontation between the al-Khalifa Sunni Moslems and the majority Shi'a community,

This sort of action-reaction is leading us nowhere," said a member of one of Bahrain's leading Sunni merchant families yesterday about the execu-tion. "Solutions will become impossible if this gap continues to grow between the rulers and the people of this island, and not just the Shi'a."

Bahraini security was well prepared for the rioting which

followed the execution, sealing off Shi'a villages near the capltal, Manama.

Bahrain's crisis erupted in December 1994, after the government jailed Shi'a clerics who had compiled a crosscommunity petition seeking to reinstate the 1973-75 National Assembly elected under the constitution agreed when Bahrain became independent from

that Iran's Shi'a mullahs are fomenting the unrest by seeking to establish an Islamic fundamentalist bridgehead on that

part of the Arahian peninsula which Persia had held for the two centuries hefore the al-Khalifa took Bahrain in the late 18th Century. So far, it has produced no evidence of Iranian involvement, which leading merchant families and dipment, not a religious move-

High Shi'a youth unemploy ment belps fuel the unrest, which the government wants to defuse with increased vocational training and plans to replace gradually a large Asian expatriate workforce with Bah-

# Israeli youth reshape Labour

new Labour party was taking shape in Israel vesterday as results of internal party elections showed voters had chosen a younger leadership tough on security and strongly in favour of a market-driven

Almost 200,000 Labour voters shunned traditional Labour figures associated with the party's trade union and socialist past and opted for former generals and younger politicians ideologically identified with social democracy.

The list elected by Sunday's primaries will be fielded in elections on May 29 under Prime Minister Shimon Peres, who is guaranteed the first slot on the list for the 120-member

parliament. The primaries indicate the popularity of candl-dates inside the party and generally provide hints about the eventual distribution of senior ministerial posts.

Four former generals were among the top 10 candidates. reflecting the national mood in favour of tough security following a wave of Islamist suicide bombings. The top 12 candidates broadly support the government's market reforms of the last four years and are not associated with the old-guard social welfare wing of the party which has fought reforms and spending cuts.

Among those who did well were Mr Ehud Barak, 53, foreign minister and former army chief; Mr Haim Ramon, 45, who has reformed the Histadrut trades nnion association; Mr Avraham Shochat, the jocular finance minister who jumped from 15th to sixth place and Mr Yossi Beilin, 46, the figure most closely associated with the vounger generation. Mr Uzi Baram, the highly popular tourism minister with a reputation as a conciliator,

won the number two slot.
Prominent losers were Mr Shimon Shetreet, religious affairs minister, who fell from 11th to 42nd place and Ms Ora Namir, the lahour minister. Both were associated most strongly with social welfare causes and defence of workers'

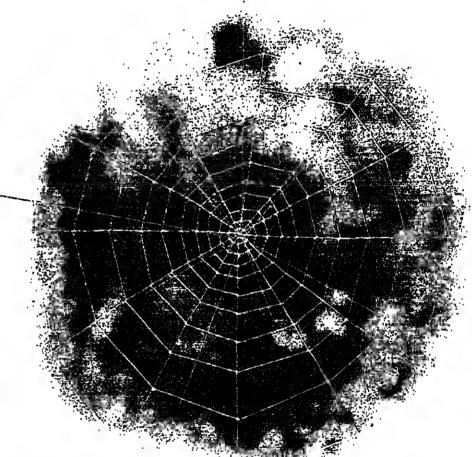
This is new Labour" said Mr Canny Ben-Simon, a commentator with the Labour

Oavar Rishon newspaper, "The youth want a new generation of photogenic and telegenic politicians who more accurately reflect Israel in the late 1990s – more secular, wealthy and European."

Part of the shift in the Labour party reflects the 70 000

Labour party reflects the 70,000 new young members, mostly middle neighbourhoods of Tel Aviv. who joined the party after the assassination of prime minister Yitzhak Rabin last November

by a rightwing student. The combination of a leadership tough on security and liberal on economics is widely seen as good for the party's attempt to attract floating voters who decide Israel's closely contested



is momentous, remarkable and full of hazards. Choose the most careful and experienced quide.

The Worldwide Web of today's Internet offers a tantalising foretaste of even greater wonders to come. Soon, the ability to access and exchange any combination of text, data, voice messages, sounds and moving images instantly will be commonplace. But while a net can be a great gatherer of riches of all kinds, can it not also be a snare for the unwary? At NEC we have no such fears. Our Multimedia Office System is already demonstrating the future: mobile

computing seamlessly combined with multimedia on demand and multimedia collaboration is now a reality. It's the result of over 20 years experience in integrating computer and communications technologies. In fact, thanks to our long-term investment in research and development, we are unique in having expertise in every aspect of multimedia. So when you're looking for a guide

through this new world, remember NEC has shaped every step of its evolution.

For further information, please contact: NEC Corporation, Overseas Advertising Division, 7-1, Shiba, 5-chome, Minato-ku, Tokyo 108-01, Japan. Fax 81-3-3798-6333. NEC Europe Ltd. NEC House, 1 Victoria Road. London W3 6UL, UK. Fax 44-181-235-4942.

the multimedia (e) volution

# Long fuse slows Wall Street Big Bang

be latest in a series of attempts to repeal the Glass-Steagall Act. which limits the scope of commercial banks to trade and underwrite securities in the US, is about to enter its final

While expectations for sweeping reform in Congress this year have all but evaporated, many bankers believe the coming weeks will bring a more modest degree of reform through a regulatory, rather than a legislative, route.

The final act in this tortuous

legislative saga will be touched off by a meeting late today between Mr Jim Leach, chairman of the House banking committee, and Mr Newt Gingrich, the Speaker, and other leading Republicans in the

Long an advocate of bank deregulation, Mr Leach will ask for a chance in April to bring a broad-ranging bill to the floor of the House for a vote. If his request is rejected – as many in the industry and in Washington expect - the Depression-era law that separates commercial and investment banking will remain on the statute books at least a lit-

ile longer.

Mr Leach's efforts to repeal
Glass-Steagall had once seemed to have a good chance of success. A year ago, with a oew Republican majority in the House promising to sweep away outmoded regulations on business, and with Wall Street's biggest investment banks seamingly no longer opposed to allowing commercial banks further on to their turf, reform seemed likely,

IADB ANNUAL MEETING

A hig shift in patterns

of foreign direct invest-

ment into Latin Amer-

ica during the 1990s has

made the US by far the

dominant foreign inves-

tor in the region, pushing Europe into a dis-

tant second place. The

By Stephen Fidler in Buenos Aires

conclusions arise from figures released

this week by the Inter-American Devel-

opment Bank and the Madrid-based

Institute for European Latin American Relations (IRELA), which also show the

rapid expansion in direct investment

From 1990-95. Latin America received

Soobn of FDI flows, four times the level

of the last half of the 1980s. However, as

investment increased, US flows began

to overwhelm those from Europe.

Panama's President Ernesto

Pere: Balladares and the coun-

try's bank creditors will sign a

\$3.5bn concessionary debt accord in Paris ou April 17, the government said yesterday.

ter, said the accord would reduce bank debt by the equiv-

alen; of 31 per cent. Some

Mr Guillermo Chapman,

flows that has taken place since 1990.



June 16, 1933. US President Franklin D. Roosevelt signs the Glass-Steagell Act prohibiting commercia banks from dealing on their own account in most types of secunties. Flanking the president are the act's co-sponsors; on his right, Senator Carter Glass of Virginia, the legislation's chief author; on his left, ive Henry B, Steagall of Alabama.

The act was largely in response to the growing penetration of securities trading by commercial banks, which many investors blamed for the 1929 Wall Street crash and subsequent decline of the securities market, Glass, who had also been the principal architect of legislation establishing the

\$6.33bn against \$4.71bn from the US and

\$745m from Japan, From 1990-94, how-

ever, US investors were responsible for

\$33.67bn of investment, against \$10.41bn

In the period, US investments in Bra-

zil amounted to \$11.22bn. slightly more than in Mexico at \$11.16bn. Brazil was

also the main target of European

investment, accounting for \$2.97bn,

against \$1.60bn for Mexico.

Mr Wolf Grabendorff, director of

IRELA, said several factors appeared to

be behind the shift in investment pat-

The European single market and the

European recession have successively

dominated corporate strategies. Eastern

Europe may have diverted a small

amount of investment, but has not been

Furthermore, he said, US proximity

a critical factor.

Given the choice of three

types of bonds, creditors repre-

senting 82 per cent of the debt

chose to exchange old bank

debt for 18-year interest reduc-

tion boods, which carry oo guarantees; 14 per cent chose guaranteed 30-year par bonds

and 4 per cent 30-year discount

boods.

Mr Chapman said the gov-

ernment was initially uncom-

**CZECH OUT STANSTED** 

In the second half of the 1980s, direct to the region and aggressive US strate-nvestors in Europe were more active gies to expand exports had paid off. As

for Europe and \$1.93bn from Japan.

cretary of the Treasury, long held the view that

A year before congressional approval of the Glass-Steagall Act, Glass, as chairman of the Senate Bankino Committee, had virtually put the nation's rs on trial. He concluded the commit hearings by saying: 'The...intensive participation by al banks in the capital markets exagge financial and business fluctuations and under the stability of the economic organisation of the

Sources: Encyclopedia of American Business History and Biography; The New Palgrave Dictionary of Money & Finance

Latin America grows, regional demand

for US exports grows more rapidly than

demand for those from Europe, Invest-

ment was following trade, and the US

appeared to have an increasing com-

been growing at an average 20 per cent

for the last four years. If you project those figures, Latin America will by the

year 2000 be buying more goods from the US than does the whole of Europe."

In an attempt not to cede the com-

mercial advantages of a resurgent Latin America entirely to the US, the Euro-

pean Union has embarked on a series of

agreements with Latin America which could eventually lead to free trade. The

most advanced is with Mercosur, the

southern cone customs union of Argen-

tina, Brazil, Uruguay and Paraguay. A

next stage of talks begins tomorrow in

Mr Grabendorff said that the EU was

seen by governments in Latin America America.

"US trade with Latin America has

mercial stake in the region.

That was to reckon, though, without a political force that had bedevilled previous efforts at repeal: the lobbying power of the country's independent insurance agents.

With the most effective political organisation in the financial industry, these agents

were not about to let pass an opportunity to keep their old adversaries, the banks, out of the insurance business. Restrictions were added to the Leach bill to limit banks' insurance activities. These, in have made the turn. legislation unpalatable to

US investors put Europe in the shade

banks, prompting a stalemate. The prospects for a legislative compromise do not seem good. The insurance agents are agitating for two things: a fiveyear moratorium preventing the Comptroller of the Curreocy, whose office regulates nationally chartered banks.

from giving banks greater powers to sell insurance, and a reaffirmation of the rights of individual states to regulate how insurance is sold. Both would slow the move by banks into the insurance busi-

A divided banking industry. meanwhile, has found it difficult to present a united front, making a compromise all the harder to find. Some banks, such as JP Morgan and NationsBank, are concerned mainly to see Glass-Steagall repealed, allowing them free entry to the securitles business. Others, including Clticorp and BankAmerica, are more interested in expanding insurance sales through their

retail banking operations.

Having failed to broker a compromise, Mr Leach has turned his efforts to forcing throngh a bill nonetheless - a tactic that seems to have a very low chance of success.

On top of the provisions on insurance and securities pow-ers, the House bill includes a host of deregulatory provisions aimed at reducing the red tape on banks. It also contains the legislation needed to salvage the insurance fund of the savings and loans (or thrift) industry, largely through a one-off levy on banks.

There is something in here to please - and to antagonise everyone. "There are a lot of diverse interests here," says a spokesman for the banking committee, adding that the committee's own members themselves want different things from the legislation. According to one widely held view, this makes Mr Leach's

for trade negotiations than that pro-vided by the possible extension of the

US-led North American Free Trade

However, the US has advantages. Mr

Larry Summers, undersecretary at the

US Treasury, told the annual meeting

of the IADS in Buenos Aires that he favoured allowing member countries to borrow as much in dollars from the

bank as they wanted to. Currently, they are mostly forced to borrow in a basket

"I'd like to see countries being able to

get the product that they want from the Bank. I suspect that for many Latin American countries that would be a

fully dollar product." However, some

private European economists saw the

move as a tentative attempt to begin

establishing a dollar zona in Latin

Agreement which was seen as

final push a calculated attempt to kill the bill for good.

However, that would free the way for action on a different front. With the Glass-Steagall legislation vague about how far banks could go in the securities markets, it has been left to the Federal Reserve to provide specific rules. And while the Fed bas always avoided pre-empting Congress on such politically sensitiva issues, some officials now say that the Fed is ready to act quickly to relax its rules if a political solution is not found.

Currently, a hank's securities subsidiary can earn no more than 10 per cent of its revenues from what are known as "ineligible" activities mainly underwriting and trading equities and corporata debt. It is this 10 per cent rule that is making life increasingly difficult for those commercial banks that are trying to build securities busine

The Fed could either lift the 10 per cent limit, or opt for a less restrictive version of the 10 per cent test, officials say. One route could be to apply the limit to a securities subsidiary's assets, rather than its revenues - a change that bankers say would extend their ability to underwrita securities while not greatly easing the trading limits.

Without a broader reform backed by Congress, however, the convergence of the country's commercial and investment banking industries, possi-bly in a Wall Street re-run of London's Big Bang of the mid-1980s. is likely to be delayed

Bratton: star performer

police

chief

resigns

New York

Mr William Bratton, the swaggering New York police

stature soared as city crime

more than two years as leader

of the nation's largest police

department, AP reports from

"I am leaving an organisa

tion I have come to love

dearly," Mr Bratton said after

meeting Mayor Rudolph Giuli-

The commissioner said he

was taking a New York-based

position with First Security

Services of Boston, running a New York division. He would

The resignation came amid rumours that Mr Giuliani –

despite the commissioner's crime-fighting prowess - was sick of Mr Bratton's self-styled

Bnt Mr Giuliani yesterday

called Mr Bratton's tenure

ani privately for half hour.

AMERICAN NEWS DIGEST

# Canadian polls boost Liberals

Canada's ruling Liberal party has been given a shot in the arm by retaining five seats in by-elections in Quebec, Ontario and Newfoundland. A sixth seat, in rural Quebec, was retained by the secessionist Bloc Québécois.

The Liberals were especially relieved to win contests in two Montreal area constituencies. The Liberal candidates, Mr Stephane Dion and Mr Pierre Pettigrew, were both appointed. to the cabinet earlier this year in an effort by Mr Jean Chrétien, the prime minister, to infuse fresh blood into the

federalist camp in the French-speaking province.

The right-wing Reform party finished a strong second in a suburban Toronto seat and one of the Newfoundland contests. despite signs the party, whose strength is mainly in western Canada, was finding it difficult to capitalise on its breakthrough in the 1993 general election.

The Reform campaign centred on the slogan "Boot the Bloc" a reference to its efforts to supplant the Bloc Québécois às the official opposition in the House of Commons. The BQ has 53 seats, one more than Reform. The Liberals hold 177 seats. The by-elections were a disappointment for Mr Jean
Charest's Progressive Conservatives. The Tories have been
struggling to recover from their crushing defeat in the last
general election. Mr Charest won wide acclaim, however, for
his performance during last October's independence

# US consumer confidence steady

US consumer confidence held steady this month after a sharp improvement in February, the Conference Board, a New York business analysis group said yesterday.

The index fell marginally to 97.7 from 98 in February. This.

was in line with readings late last year and well above the trough of 88.4 in January when severe weather and other distortions depressed economic activity. Confidence readings of about 100 typically indicate solid economic growth.

The survey indicated consumers were generally "quite positive" about business conditions. However, Mr Edgar

Fielder, economic counsellor at the board, said there was evidence of "uneasiness about the job market". Coupled with concerns about future levels of income, this did not suggest consumers were ready to spend more freely, Michael Prowse, Washington

### Economy stable, says Greenspan Mr Alan Greenspan, Federal Reserve chairman, said the US economy was running at a "reasonably good rate", with

inflation at the lowest levels in recent history.

In testimony before the Senate banking committee yesterday, Mr Greenspan said that Fed monetary policy had

succeeded in producing stability "at least for the period The committee was conducting hearings into President Bill Clinton's nominations for vacant Fed positions. Mr Greenspan has been nominated for a third term. Ms Alice Rivlin, Office of

Management and Budget director, has been nominated as vice-chairman, while Mr Laurence Meyer, a private economist, has been nominated for a vacant governorship.

In his prepared remarks, Mr Greenspan stressed the dollar's role as the world's leading currency. He said maintaining "the

key role of the dollar is important to American growth and AFX and Reuter, Washington

# Date for Caracas petrol rise

Venezuela will raise the price of petrol after the Easter holiday period, Mr Erwin Arrieta, the energy and mines minister, said yesterday. : "Definitely the measure will be implemented after Easter,"

Mr Arrieta said after a meeting with Venezuela's largest union, the Confederation of Venezuelan Workers (CTV). The increase in petrol prices is a central part of the government's ongoing talks with the International Monetary Fund for a \$2.5bn standby loan. Reuter, Caraca

### Samper testifies in poll probe

Colombian President Ernesto Samper testified yesterday in a widening investigation that could lead to his impeachment on charges that his 1994 election campaign was bankrolled by

Mr Samper's testimony was taken behind closed doors at the ornate presidential palace in Bogota. Government officials said it could be made public as early as today under a law approved last week declassifying all evidence in the deepening campaign finance scandal.

Mr Samper has repeatedly protested his innocence and insisted that if drug money entered his campaign it did so

without his knowledge.

The ministers of the interior, foreign relations and communications were also due to testify this week as part of a parallel Supreme Court investigation into charges they knew about and helped cover up millions of dollars in contributions from the Cali drug trafficking cartel to Mr Samper's election

# Ed Muskie dies aged 81

Mr Edmund Muskie, former US Secretary of State, died yesterday after vascular surgery and a heart attack. He was

President Bill Clinton said he was deeply saddened by the death of the former Democratic senator and governor of Maine. "A dedicated legislator and caring public servant, Senator Muskie was a leader in the best sense," Mr Clinton said. "Ha spoke from his heart and acted with conviction. Generations to come will benefit from his steadfast

commitment to protecting the land."

Mr Muskie served briefly as secretary of state from 1980 to 1981 onder President Jimmy Carter. Before that, as a senator, he served for more than 20 years and pushed for environmental laws, chaired the budget committee and was a

member of the foreign relations panel.

Mr Muskie was vice presidential running mate on Hubert Humphrey's losing Democratic ticket in 1968 and was briefly a contender for the party's presidential nomination in 1972. He was governor of Maine from 1955-59 and a US senator for that



Corch Arthres is pleased to announce a new service - effective 31st March 1936 STANSTED - PRAGUE - STANSTED

 Fast and comfortable connection to the City of Landon (Liverpool Street Station) - Executions road limbs. London Stansaed is right by the M11 (J8) and only 20 maranes from the M25.

CSA - Casch Arines promotional large are available. These services can be booked through any global distribution systems

To 10 "Angerta Street Lingue LYIN (043



\$1.5bn of the total is interest fortable with the domination of one type of bond, which resolve debt arrears with its bank creditors. Mr William increases the government's debt servicing bill in the early Rhodes, vice-chairman of Citi-bank, which also led the Panamanian accord, said that after years of the agreement. But it talks yesterday with Mr Jorge guarantees and was manage-Camet, the Peruvian finance able under conservative eco-nomic assumptions, he said. minister, be expected a term sheet specifying the details of the agreement with Peru Panama's total debt is about would emerge before the eod of

The signature of Panama will leave only Peru among Latin American debtors yet to

Panama to sign \$3.5bn accord on debt

next month. • The IADB is considering

cessionary finance to its poortook a dive, announced yester-day he was resigning after est members. The bank approved a record \$769m of soft loans under its

Fund for special operations last year to Bolivia, Haiti, Honduras, Guyana and Nicaragua. But according to Mr Enrique Iglesias, lADB president, provide \$350m of soft loans annually on a sustainable

# IMF urged to be bolder in fight to stem bank crises

The International Monetary

Fund and the World Bank must step in more aggressively to resolve problems in developing country banking systems before they develop into crises, Mr Charles Dallara, managing director of the Institute of International Finance, said

Mr Dallara, whose Washing-ton-based organisation speaks for international banks and other financial institutions. said the IMF must make the performance of financial systems a central part of its approach to borrowers. His comments come after Mr

Larry Summers, under-secretary at the US Treasury, called for the Fund to play a greater role in tracking financial system performance. However, he suggested in an interview that initially this role would probably have to be confined to monitoring banking system developments rather than incorporating them in the financial targets.

To some extant this may already be happening. Officials in Argentina say an IMF team training of bank supervisors. | big-city policing.

is due in Buenos Aires in some weeks to review the country's

monitoring developments was not enough. "If it's just a technical study, it tends to gather dust, not momentum," he said. The IMF had long resisted incorporating structural issues into its programmes, despite the fact that longer-term extended fund facilities were created more than a decade ago to do just that. The IMF "has a long way to go before it adapts to the reality of the 1990s," he said.

He said the World Bank could also do more in the field. Its experience across several continents would make it the natural lead institution, co-op erating closely with the appropriate regional development banks, such as the Inter-Ameri-

can Development Bank. Both institutions have devoted more resources to Latin America's financial sectors since the banking crises in Venezuela. Mexico and else-where, and are involved in technical areas such as the

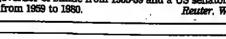
'exceptional" and "a turning point in the department. In Mr Bratton's first two financial system. years in the job, reports of

serious crime dropped 27 per cent. Homicides alone fell However, Mr Dallara said nearly 40 per cent - to 1,182 in 1995 from 1,927 in 1993. Both Mr Giuliani and Mr Bratton had insisted that reports of a clash of egos were exaggerated. The mayor praised Mr Bratton, even halling his appearance on the cover of Time as a publicity coup for the city. But in recent weeks, tab-

loids predicted Mr Bratton, 48. would leave the \$133,000-ayear job to write his memoirs - he has a \$350,000 book deal or take a more lucrative job in private enterprise.

Fuelling the speculation were a series of seeming affronts by the first-term mayor, including an order that Mr Bratton's book deal be reviewed for possibla conflict

Mr Bratton was Boston's police chief before taking the New York job in early 1994. He soon won admirers on Wall Street by applying corporate management techniques to





Notice of Adjustment to Conversion Price

U.S. \$26,000,000

31/2% Convertible Bonds due 2007

Convertible into Shares of Common Stock of the Issuer ("Common Shares")

Notice is hereby given to the holders of the Bonds that, following domestic Convertible Securities issue other than to shareholders and the rights issue to the shareholders fixed by the Company on December 5, 1995 and February 3, 1996 respectively, tha issuer announced on February 27, 1996 that the Conversion Price of Korean Won 9,738 per Common Shara had, in accordance with the Trust Deed dated July 13, 1992 constituting the Bonds, been adjusted to Korean Won 9,565 per share with effect from December 28, 1995 and the Conversion Price of Korean Won 9,565 was adjusted to Korean Won 9,183 effective on January 1, 1996.

By: The Chase Menhaltan Bank, N.A. London, Principal Paying and Conversion Agent



CH 27 1996

titles minister, said

# Australia poll Power play threatens to dethrone democracy lifts business confidence

By Nikki Talt in Sydney

Business confidence in Australia bas picked up sharply after the conservative coalition's sweeping victory in federal elections this month, according to the latest quar-terly industrial trends survey by the Australian Chamber of Commerce and Industry and Westpac benk.

But any encouragement from the news yesterday was countered partly by fresh warnings from the Australian Council of Trade Unions, the main union body ACTU said members could

instigate "a range of political and industrial action" if the new government persevered with its plan to phase out so-called "paid rates awards" in favour of wage awards setting out only minimum conditions. Paid rates awards, prevalent in the public sector. stipulate actual rates of pay. Minimum rates awards, simply set a base rate

The ACCI-Westpac survey is one of the first pieces of statistical data since the change of government on March 2, which brought to an end 13 years of Labor rule. It found that mannfacturing - activity - remained weak in the first quarter, with industry reporting falling output and lower orders. Capacity utilisation also declined.

By contrast, most manufacturers said they were expecting improved conditions over the next six months, and expected to see new orders and output rise in the second quarter. In the first quarter, some 34 per cent of respondents predicted

improved business in six months, compared with only 8 per cent in the final quarter of

tion government.

tional aid for the aouth-east

Asian nation, the coalition is

Through a masterful series of strong-handed and subtle

political moves, Mr Hun Sen.

in danger of falling apart.

The ACCI said the result reflected "real confidence in a new government that had new policies", but warned against reading too much into the survey. In at least one instance in the recent past, it noted that "euphoria" after a change of government had failed to translate into sustainable prog-

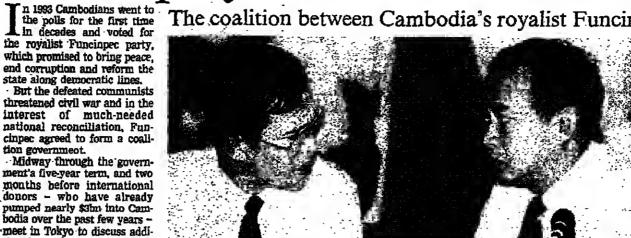
"There was a similar lift in confidence in 1983 and 1975," said Mr Ian Spicer, chief execu-The 1983 election coincided with an already emerging upswing in business conditions. In 1975, there was no upswing under way, and the lift in confidence did not translate into any improvement in manufacturing activity."

In 1975, the Liberal-Netional coalition, under Mr Malcolm Fraser, won power from the Labor government of Mr Gough Whitiam. In 1983, Mr Bob Hawke won power back for Labor.

After a meeting yesterday to discuss the government's plans for minimum rates awards. ACTU said: In the event that the government proceeds to implement changes ... all unions will discuss with their members the range of political and industrial action they are orepared to implement." Options mentioned ranged from worker rallies to lobbying in Canberra. The ACTU claims the government's policy will put at risk the current level of take home pay and conditions for almost 1.7m workers".

John Ridding, Hong Kong

The coalition between Cambodia's royalist Funcinpec party and communists is at risk



Tension between power-sharing prime ministers Hup Sen (left) and Prince Norodom Ranariddh

ises," said Prince Norodom Ranariddh, first prime minister, at the end of last week's

econd prime minister and national party coogress. leader of the ex-communist Complaining that the CPP Cambodian People's Party (CPP), still controls the army. had not lived up to power-sharing agreements made in postpolice, indiciary and bureanelection negotiations, Prince cracy. He has forced political Ranariddh added: 'If it is necrivals into exile and thrived in essary, we are not afraid to the free-for-all economy which withdraw (from government)." the government cannot seem This scenario could lead

to bring under control. Cambodia back into "political polarisation", warns Mr Lao Mong Hai, director of the Meanwhile Funcinpec. plagued by blunders, capitulations and repeated allegations Khmer institute of Democracy. of high-level corruption, is Already some consequences frustrated. "Two years have of Mr Hun Sen's grip on power passed, but the royal govern-ment has not been able to fulfil can be seen. Mr Hon Seo is huilding up a private clieot even 50 per cent of its prombase under the guise of devel-

opment. One disgruntled teacher reckons he has personally funded the construction of more new schools than the Educatioo Ministry bas over

the past few years.
"Instead of the government collecting \$100 in taxes, companies are giving \$50 to Hun Sen," says Mr Sam Rainsy, former finance minister, who was successively expelled from the cahinet, Funcinpec and the National Assembly for his anticompation drive.

"Hun Sen then keeps \$25. spends \$25 on constructing something, puts his name on it and eods up looking like Mother Teresa. But what we really are creating is another

Rainsy says.

Nevertheless, there have been substantial peace divi-deods with the end of the civil war. One is that Cambodia produces enough rice to feed itself and may begin exporting later this year. In Kompong Chinang prov-

ince, a massive Asian Development Bank funded irrigation project has been completed oow that the Khmer Rouge are oo longer a threat in the area. Yet even bere, abuses of authority are holding hack development. An irrigation technician laments that he was

oot able to get farmers near

the reservoir to plant an extra

expected promotion. "Funcinpec would disappear

swept in the current.

Such abuses could be curbed

by an efficient judicial system.

But the judiciary remains a bastion of CPP appointees.

Funcinpec leaders claim Mr

Hun Sen bas refused to

co-operate in setting np a judi-

cial council to check the con-

stitutionality of new laws. As

the country's King Norodom

Sibanouk has repeatedly

pointed out, this leaves open

the possibility that each and

every law passed since the 1993

elections could eventually be

The struggle to revive Fun-

cinpec has been made difficult

by ruminations from King

Sihanouk, its spiritual leader.

In an interview with the Cam-

bodia Daily earlier this month,

the 73-year-old king said he

told Prince Ranariddh that

me ... It will be good for you to

be king because as king it will

be easier to have a clean repu-

tation." King Sihanouk Went

on to explain the political con-

sequences of the prince's

when 1 die, please replace

declared invalid.

crop this year. They fear the as Ranariddh would be king CPP officials who control the and a king must not bave a and a king must not bave a party," he said. Mr Hun Sen. irrigation department will be tempted by the quick cash they the king predicted, would win can make by opening the floodthe elections in 1998. gates - meaning a loss of crops in an interview released by and catching all the fish

the royal bousehold vesterday the king expressed coocero over tensions between the two coalition partners. "I am worried about the very bad consequences for the country, nation and the people of this unex-pected 'crisis'," be said. Waiting in the wings is Mr

Rainsy, who recently got around government attempts to have his new Khmer Nation party banned by merging with a defunct, but still legally registered party.

Mr Rainsy, who claims more than 80,000 members, says he is ready to take in many of his rmer colleagues at Funcinpec and become "the only organised and acceptable liberal democratic alternative in Cambodia". But he worries that collapse of the coalition would lead to a "communist-style" election in 1998, after which only one prime minister can

Mr Ly Tbuch, director of Prince Ranariddh's cabinet. says: "We all realise that if Funcinpec disappears, then democracy does as well."

Ted Bardacke

# ASIA-PACIFIC NEWS DIGEST

# Hong Kong sees assets rise 13%

Hong Kong's exchange fund the territory's treasure chest, increased its total assets by 13.5 per cent to HK\$481bin (US\$60bn) last year, the Hong Kong Monetary Authority announced yesterday. Mr Joseph Yanz, HKMA chief executive, said the figures, which include foreign currency reserves of US\$67 2bm; demonstrated the health of Hong Wong's flushcial position. Hong Kong ranks seventh in the world in terms of overall foreign exchange reserves, and second on a per capita basis, according to the HKMA. According of the exchange fund, which is principally invested in bonds, saw a record increase last year, rising by HK\$34.3bn to HK\$160.1bm

last year. But Mr Yam said that the outlook for 1996 was more difficult. There are mixed forecasts for interest rafe levels this year, while a stronger US currency will affect our non-US dollar foreign assets," he said. The fund, which can be used to defend the currency from speculative attacks, is mainly comprised of US denominated

The sharp increase reflected the rally in the US bond market

NTT sell-off decision delayed

A working team of the ruling Japanese coalition decided yestering to delay a decision on whether to break up domestic telecommunications giant Nippon Telegraph and Telephone until mid-1997. Officials said the Social Democratic party, the second largest group in the tripartite coalition, called for a careful study over the next three years, while the Liberal Democratic party, the main governing force, wanted an earlier decision; and the New Harbinger party maintained simply that a conclusion be reached "as soon as possible".

The coalition discussion follows submission of a report late

last month by the Telecommunications Council, an advisory panel, which calls for NTT into but ling distance and two regional companies by the end of March 1998. *Kyodo, Tokyo* 

Cambodia mine clearer seized

A British mine disposal specialist and his interpreter were A British mine disposal specialist and his interpreter were kidnapped yesterday in Cambodia by an armed group which released up to 27 nihers after detaining them for much of the day. Mr Christopher Howes, 36, was working in the northern Stem Reap province for the Mines Advisory Group, a UK-based international charity which is seeking to clear the estimated 9m land mines — a legacy of the country's civil war.

A radio conversation between the military and the kidnappers overheard by aid agency workers indicated the gang had wanted a ransom for all the hostages. Mr Kong Heang, Siem Reap deputy governor, said the group had wanted Mr Howes to act as counter for the funds but he had

wanted Mr Howes to act as courier for the funds but he had refused. Officials differed on whether the armed group comprised Khmer Rouge guerrillas. Foreign Staff, London Multilation machine, Page 12

Burma securities market planned

Daiwa Institute of Research has been granted permission to set up an over the counter securities market in Burma. The market, an equally owned joint venture with the state owned Myanmar Economic Bank, is due to begin operations in May. The Myanmar Securities Exchange Centre, as the market will be known, involves an initial investment of \$3.4m. It will initially concentrate share trading activities which occur in various grey markets around the capital of Rangoon and then become a securifies company once a fully fledged stock Ted Bardacke, Bangkok exchange in launched in Burma.

## Seven die in India poll attack

Seven people died and almost 100 were hurt when grenades were thrown at a politician at an Indian election rally, the first significant violence of the campaign. A state official said yesterday Mr Om Prakash Paswan and two others had been killed instantly in the attack near Gorakhpur in Uttar Pradesh on Monday night, and four others had died of their wounds. Mr Paswan, a low-caste politician expected to be candidate for Bansgaon town for the socialist Samajwadi Party, was facing up to 27 criminal charges, including murder. Reuter, Lucknow

A Tajwan government stock market stabilisation fund set up as tensions with China rose has so far bought over T\$60bn (\$2.2bn) worth of shares, said Mr Thomas Yeh of the Council for Economic Planning and Development. Reuter, Toiper

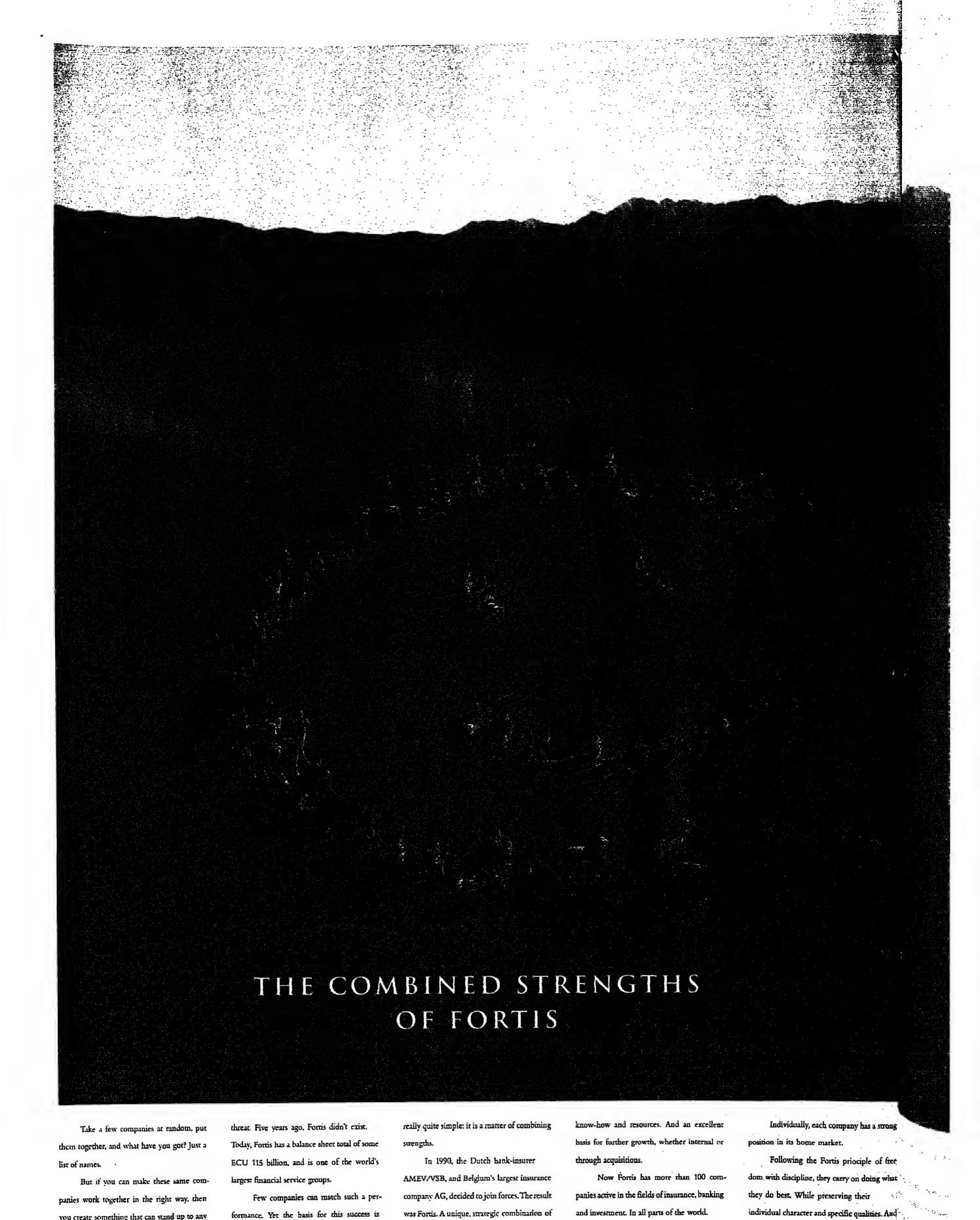
■ Public sector housing rents in Beijing are to rise 49 per cent this year to Yn1.30 (16 US cents) per square metre a month, said Mr Chen Xuebin, head of the Leading Group for the Reform of the Housing System.



Head Office. 23/F New World Tower, 16-18 Queen's Rd. Central, Hong Kong. Tel: (852) 2825-1888. Fax: (852) 2845-9411.

Europe Office: 10 Aldersgate Street, London, EC1A 4XX, United Kingdom. Tel: (171) 865-8888 Fax: (171) 865-8767

US Office: 780 Third Avenue 25/F & 26/F, New York, NY 10017, USA. Tel: (212) 593 5920 Fax: (212) 593 5932

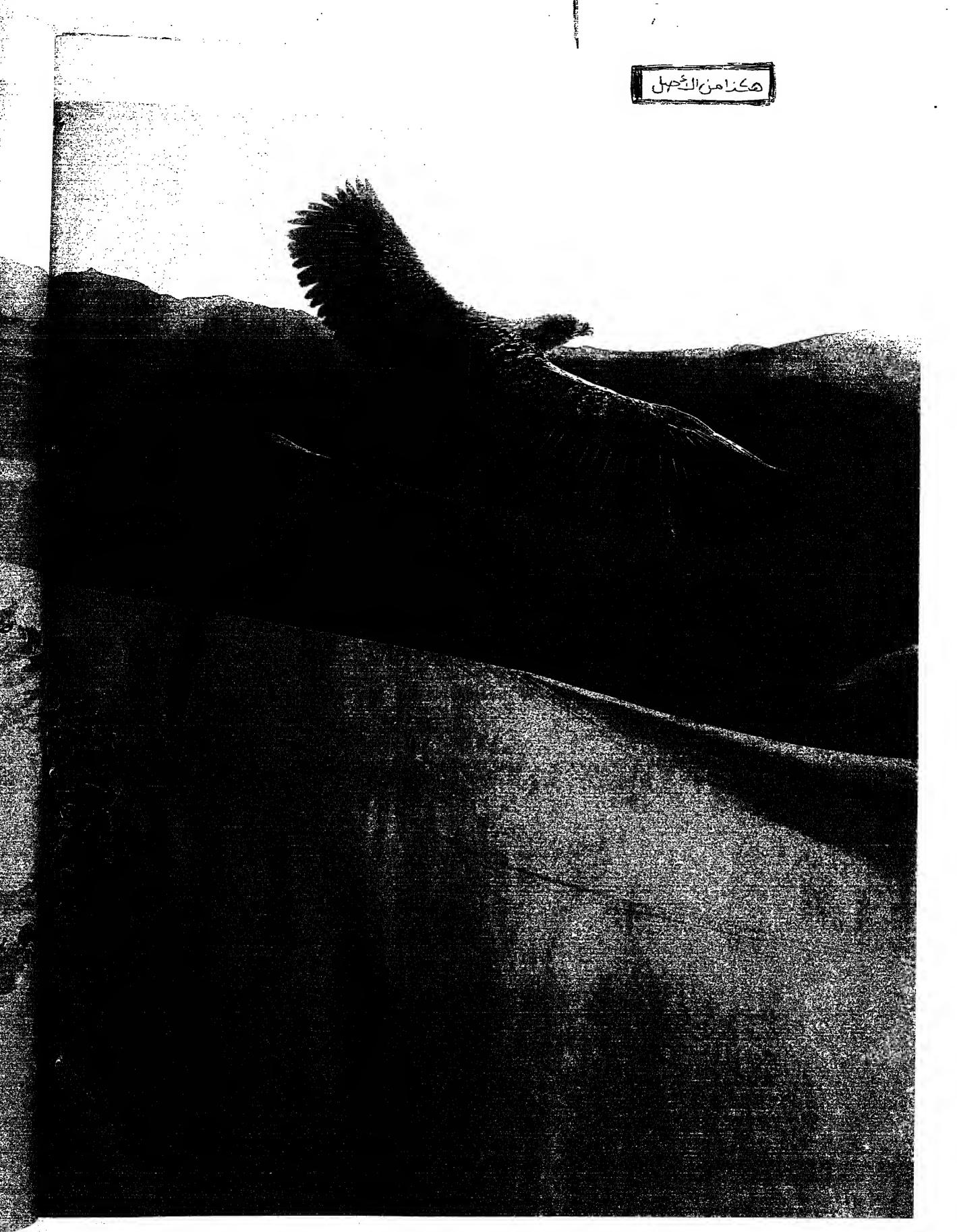


was Fortis. A unique, strategic combination of

and investment. In all parts of the world.

formance. Yet the basis for this success is

you create something that can stand up to any



7 doing so, feeding enthusiasm for further levelopment.

Just of specialized insurance market egments. In Spain, thanks to a joint venture

with "la Caixa". Fortis is one of the largest life insurers.

And in the Benelux, where its companies include AG 1824 and ASLK-CGER in Belgium and AMEV and VSB in the Netherlands, Fortis is one of the leading providers of financial services. All these examples underline that Fortis has tremendous potential.

Because the strength of the whole is greater than the sum of the parts.

That was the original idea, and that is still how Fortis sees it. Even though much

has been achieved in the past five years, our 33,000 employees are keen to make sure that this is just the beginning. Fortis is teady for the next step.

A complete brochute is available with more information, which we would be pleased

to send you upon request. Please call us on:
31 (0)30 257 65 49 (NL), 32 (0)2 220 9349 (B).
Internet: http://www.fortis.com

SOUTH INSURANCE-BANKING-INVESTMENTS

CGER-Bank. ASLE-CGER-Insurance, A.G. Asset Management, ES-Finance, ES Securines, Fortis Industrial, LS.E.P. Metropolicus Bank, NMKN-SNCI, See European Management, UFB ACE Learning, Denoted Entertundor France: Inch Pepublic AMFV General Loxenthouse, ES-Finance, ES Securines, Fortis Industrial, LS.E.P. Metropolicus Bank, NMKN-SNCI, See European Management, UFB ACE Learning, Denoted France: Inch Pepublic AMFV General Loxenthouse, ES-Finance, ES Securines, Fortis Industrial, LS.E.P. Metropolicus Bank, NMKN-SNCI, See European Management, UFB ACE Learning, Denoted France: Inch Pepublic AMFV General Loxenthouse, ES-Finance, ES Securines, Fortis Industrial, LS.E.P. Metropolicus Bank, NMKN-SNCI, See European Management, UFB ACE Learning, Denoted France: Inch Pepublic AMFV General Loxenthouse, ES-Finance, ES Securines, ES-Finance, ES Securines, Fortis Industrial, LS.E.P. Metropolicus Bank, NMKN-SNCI, See European Management, UFB ACE Learning, Denoted France: Inch Pepublic AMFV General Loxenthouse, ES-Finance, ES-Finance,

# Beef crisis fuels bitterness towards EU

ing whether they were enforceable.

The commission's decision identifies

four categories, saying: "The United King-

dom shall not export from its territory to

the other member states or third coun-

• Live bovine animals, semeu aud

Meat of bovine animals slaughtered in

Products obtained from bovine animals

slaughtered in the UK, which are liable to

enter the animal feed or human food

chain, and materials destined for use in

even though it had potentially

huge implications for the Euro-

Second, Britain turned down

an invitation to send its top

experts to share information

with Brussels. Mr Major only

made this offer once he heard

Britain's go-it-alone strategy

confirmed the worst suspicions

about the UK which is already

at loggerheads with its EU

partners over monetary union

"Can you imagine the French

about the impending han.

pean beef industry.

medicinat products, cosmetic or pharma-

By Caroline Southey and Lionel Barber in Brussels

Around 7.30pm on Monday evening Mr Jacques Santer was preparing to leave his office on the twelfth floor of the European Commission building when the telephone cali came from London.

Mr John Major, the UK prime minister was on the line. În 10 incandescent minutes, prime minister he distilled the frustration and hitterness his government feels towards Europe in its struggle to cootain the crisis over mad cow

Mr Major had just beard that Mr Santer the president of the Commission, had accepted recommendations from a committee of EU veteriuary experts to impose a worldwide ban on British beef exports. The decision was "outrageous" and unjustified be said.

Mr Santer, the genial Luxem-bourger who hates confrontation, listened with astonishment as Mr Major described the committee as "ludicrous men" and called for a delay in the ban so that British experts

The farming industry widely believes that BSE emerged

because of a lowering in the

temperature at which sheep

and cattle remains were ren-

dered down for animal feed in

ernment for allowing renderers

to reduce temperatures. But

vesterday the government rejected these accusations.

saying it had oot been involved

in what was 'a commercial

decision" and that tempera

tures were not subject to regu-

The Ministry of Agriculture,

Fisheries and Food said BSE

was thought to have been

caused by several factors, nota-

bly the high bistorical inci-

dence of scrapie, the sheep

equivalent of BSE, in Britain,

A virulent strain of scrapie is now believed to have passed

from sbeep into cattle through

use of organophosphorus chemicals to control warble

fly. This suggestion has been

undermined by counter-evi-

dence - for example, Guernsey

cases in Switzerland, was due

Another theory blames the

contaminated feed.

Many farmers blame the gov-

the 1970s and early 1980s.

The ban on British heef exports recommended by EU veterinary experts on Monday is sweeping in its scope. Neil Buckley in Brussels writes. Although there was initlal confusion about its extent - and officials emphasised that it could still be watered down when European commissioners meet today - it became clear yesterday that an all-embracing ban on bovine meat and products has been proposed.

"The experts from the member states were adamant that, while there was still confusion about the safety of British beef. the han should he as wide-ranging as possible." said one official. The resulting recommendations are so broad that some

could offer more detailed scien-

Mr Santer summoned Mr Franz Fischler, the Austrian farm commissioner, who had earlier announced prematurely that the full Commission had agreed to the ban.

"Santer asked Fischler if the decision on the ban was irreversible. The commissioner said no. They both agreed there was no alternative but to let Britain have its say. Any other decision would have been unthinkable," an EU offi-

Farmers blame feed processing

This was the most generous gesture won hy Britain since the government last week admitted a possible link between BSE and the fatal human brain disease Creutzfeldt-Jacob disease CGT. The sequence of events since that moment conspired to eucourage the worst aspects of the relationship between Brussels and London.

the UK.

centical products.

First, the British government failed to inform the Commis-

 Mammalian-derived meat and boneofficials yesterday were already question-

> The third category is understood to include not only ingredients derived from cattle, such as gelatine and fats, but any product containing such ingredients.

> Gelatine, which can also come from pork, is used in products ranging from marmalade, jam, jelly and sweets to lowfat spreads, yoghurts, mousses, and dairy desserts, as well as some ice creams, sorbets and fitness drinks, wine, most ports and fruit juices.

> Other products derived from beef include rennet, used for curdling cheese, and glycerine, used in lipsticks and soaps

> > or Germans not consulting the Commission on something like this. They would have cooked up a solution weeks before any announcement," an EU official

> > Another British official in the Commission said the Conservative government was paying the price for years of anti-European rhetoric. "Britain bas no political leverage. It also has no goodwill to draw on," he said.

The UK government's action had the effect of alienating the

Makers of gelatin, used widely as a food thickener, reacted

angrily yesterday to the EC

ban on exports from the UK of

any product derived from beef.

"I am staggered and appalled," said Mr Roger

Jones, chairman of the techni-

cal committee of the Gelatin

Manufacturers of Europe.

"There is a lot of scientific data

to show gelatin is perfectly safe. There has never been any

scientific question of gelatin

Gelatin is made from the skin and bones of cattle, nel-

ther of which have been classified as BSE sensitive. More-

over, its manufacture includes

treatment in hydrochloric acid

and other processes which is thought to render harmless

The Ministry of Agriculture and the GME, which repre-sents 14 manufacturers across

Europe, are seeking to get gela-

Mr Jones said. One was hard

gelatin capsules for pharma-

based on the firm's analysis

and on the findings of a sur-

vey of 34 leading economists,

bankers and academics across

Mr John Hawksworth, the

head of macroeconomics at

Coopers & Lybrand and the

author of the report, said:

"The easiest thing in cut if you

are trying to improve

sbort-term finances is invest-

ment and, as a result, the gov-

ernment's assets have been

run down." He said that a set

of annual accounts should be

published in line with best

practice in the private sector.

from services rose from £4.8bn

in 1994 to a surplus of £5.7hn last year, the highest since

the City.

If they fail, however, food

tin excluded from the ban.

being related to BSE."

any unwanted agents.

By Roderick Oram

UK NEWS DIGEST

normally unflappable Mr Fis

chler, who was so outraged

that he fired off a letter on

Friday night to Mr Douglas Hogg, the UK farm minister.

accusing him of bad faith and

incompetence. His anger was

still apparent when be

announced the committees'

proposal for a ban, and firmly

and squarely laid the hlame for

the panic in the beef market on

The ban has been put on ice

until the full Commission

meets today to consider the lat-

est report from the committee

chler will then table proposals

to the full 20-member Commis-

sion where Britain has two rep-

resentatives: Sir Leon Brittan

Both have already expressed

servations about the sweep

ing nature of the British beef

ban. Although they are not

supposed to wear their

national hats, this is likely to

prove difficult given the emo-

Even if they do, Commission

decisions are made by simple

majority and here the British

ularly perturbed by the ban. They might, however, incur some extra costs for reformu-

lating their recipes, finding

non-UK supplies or printing

new packaging clearly stating

that no bovine ingredients

already used widely diversified

sources. Ross Young, the frozen food subsidiary of United Biscuits, used gelatin from the US and Australasia while Nes-

tle Rowntree confectionery

uses gelatin from the conti-

uent. A few of UB's McVitie's biscuits used beef fat but sub-

stituting vegetable fat would

For makers of the limited

volume of exported UK meat

pies and similar products the ban imposes a far greater head-ache. Switching to 100 per cent

imported meat will probably

prove expensive as foreign sup-

piles tighten. Imports of beef face addi-tional hurdles: beef from out-

side the EU attracts high

duties unless it falls within

but will try to allay customer

fears by giving more informa-

tion. In some stores, this might

he as detailed as the farms

where the cattle were raised

and their feeding regimen.

be easy, it said.

Most food manufacturers

were used.

tions raised by the affair.

Outrage over ban

on 'safe' gelatin

and Mr Neil Kinnock.

veterinary experts. Mr Fis-

the British government.

# BT hails video on demand trial

British Telecom's radical video-on-demand delivered down ordinary telephone lines could lead to a £500m investment

The commercial experiment - one of the most comprehensive in the world - costing between £30m and £50m began last July in 5,000 homes in Ipswich and Colchester, Essex, it has proved attractive for films, soap operas in advance of broadcast and home shopping via the television.

BT has been transmitting digitised information and pictures from databases at local telephone exchanges down ordinary telephone lines. High-quality video pictures can be transmitted at the same time as the line is being used for normal conversa-tion, although a digital decoder is needed.

BT believes it has produced " very encouraging" levels of

A total of 16,000 different ltems are available through home shopping, for example, with each purchase averaging £24 so

# V-chip plan for TVs abandoned

The government has abandoned the idea of introducing V-chips to prevent children from watching "unsultable" television programmes, despite the growing pressure to curb violence on TV following the recent Dunblane massacre.

Mrs Virginia Bottomley, national heritage secretary, is understood to oppose the proposal requiring the installation of the electronic devices in UK televisions because it would place an unfair burden on British manufacturers.

The decision follows a meeting between Mrs Bottomley and Mr Arthur Pober, a US expert on the classification of video games and a critic of the V-chip system. Advocates of the V-chip want the electronic device to be fitted into television sets during manufacture, allowing parents, using a secret password, to set tolerance levels for violence, sex and bad language for a particular age range.

James Harding

### BT loses bid for compensation

British Telecommunications yesterday lost its battle for compensation from the UK government over its failure to implement European public procurement rules correctly.

The European Court of Justice in Luxembourg said the government did not have to pay damages to BT as the UK's incorrect implementation of the 1990 public utilities procurement directive was not a sufficiently serious breach of Euro-

BT claimed it incurred additional costs in complying with the incorrect national law. It also claimed that the national regulations prevented it from concluding profitable transac tions and placed it at a commercial and competitive disadvan-tage by forcing it to publish its procurement plans and con-tracts. Competitors were exempted from that requirement.

### US boost for Lloyd's

US insurance regulators have warned that legal actions being pursued by state securities regulators against Lloyd's of London could deal "a stunning blow" to the US insurance market.

Providing a powerful boost to Lloyd's attempts to head off
the legal cases which threaten to undermine the insurance market's recovery plan, the National Association of Insurance Commissioners have agreed a strongly-worded declaration set ting out their fears about a highest profile case, brought by alifornia's securities regulators After a meeting in Detroit on Monday, they warned that

the effect of freezing Lloyd's operations would be devastating It would deal a stunning blow to the US insurance market place and the US economy which would be felt for decades".

The commissioners are alarmed about the consequences for US policyholders if securities regulators succeed in freezing all or part of £7.8bn (\$12hn) held in trust on behalf of Lloyd's to support insurance and reinsurance underwriting in the US. The announcement follows intensive lobbying by Mr Chuck Quackenbush, California's insurance commissioner, who ear-lier this year arranged for Lloyd's to underwrite a large part of

California's earthquake insurance programme. Separately, the New York Insurance Department warned

that it was prepared to seek court orders preventing others gaining access to the funds.

Ralph Atkins

0.5 1117

Secure.

gether r

### has the highest incidence of sive farming in the 1970s and perature bad let disease manufacturers can readily sub-Gatt quotas. Three of the four BSE in the UK but OP warble 1980s meant caives were through, Mr Brian Rogers countries than are recorded stitute other ingredients annual quotas running to Ju weaned off milk at an earlier fly treatments have never been because of the difficulty of posare already virtually filled. chairman, said this was "a including gelatin derived from age and fed concentrates, complete red herring". itively identifying a disease in pork. The vast hulk of chewing Extension of those quotas was He said: "No chauges gums, for example, already use The ministry said the fact which included protein a country where it occurs urged yesterday by the British occurred in the UK that didn't that Britain had experienced extracted from animal waste. regetarian alternatives to gela-Retail Consortium represent-The ministry said Britain adopted more efficient render-158,582 cases of BSE since 1986. The Swiss veterinary office occur in the rest of the world. ing British retailers. said it thought its larger num-Very few applications specifi-cally demand bovine gelatin, while the highest incidence in The BRC said its members It's not founded on any temperwould keep British beef on sale any other country was 206

ing methods in common with other nortbern hemisphere countries such as the US during that period. Animal waste was rendered down in a continuous process, rather than in hatches, and for a longer

there was o lot of potentially

to the high proportion of sheep in the UK compared with other Britain had 42m sheep, about

period at lower temperatures. dangerous sheep remaios in However, the UK Renderers caltle feed. At the same time, Association yesterday rejected the drive towards more intenthe idea that changes in tem-

**。这种性的** 

gling as farmers seek to offload livestock in the wake of the beef crisis.

ature change at all. The likeliest answer (to wby Britain bas so much BSE) is that the incidence of scrapie is higher in this country.

However, this does not explain why the disease

Beef sales in the UK bave plummeted but there are no such worries for Willie McLean, a farmer in

Stirlingshire in Scotland where demand is high hecause cattle are fed a vegetarian diet. In Ireland

police stepped up border patrols with Northern Ireland in anticipation of increased cattle smug-

ing changes had taken place. rather than at any other time. British officials suspect more cases have occurred in other

emerged in 1986, after render-

her of cases - 206 - was due to good information and Identification techniques. Most cases in other countries

centicals. Given the ease of substituare believed to be linked to cattle or feed imported from the tion, food manufacturers said yesterday they were not partic-

was £2.1bn in the final quar-

ter of last year from £1.8bn in

the third quarter.
This took investment earnings for the year as a whole to record levels, but this was offset hy earnings from over-seas companies' investments in the UK, which were also a

The total invisibles balance which includes services. investment income and transfers - slipped from £1.4bn in the third quarter to £0.9bn in the fourth quarter, its lowest for two years.

Direct investment overseas by UK companies rose to a record £24bn in 1995. Direct investment in the UK by overseas companies also rose to record levels. It tripled between the third and fourth quarters of the year - largely reflecting overseas company takeovers of UK companies.

### Front line role for women

The British army is reviewing its policy of excluding women from front line combat roles, with a report likely to be sent to ministers by the summer.

It is not clear whether the army is likely to change its policy, but the Ministry of Defence is concerned that it may again fall foul of sex discrimination legislation if it continues to exclude women from some roles.

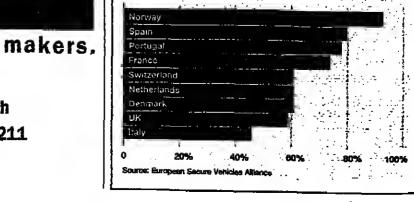
At present only 47 per cent of the army's jobs are open to women, with all posts in the Household Cavalry, Royal Armoured Corps and the regular infantry closed. Women are also excluded from some jobs in the artillery and engineers. Women do serve in combat roles with the Royal Navy and the Royal Air Force, but these are considered to be less physically demanding than hand-to-hand combat.

Britain may come under pressure because some continental countries, such as Belgium, already allow women into all parts

### Low recovery rate of stolen cars

Drivers in the UK face the highest chance of having their cars stolen, and the second lowest possibility of recovering them, according to figures from the European Secure Vehicles Alliance, a car crime prevention association. Only Italy, which reported less than half the number of stolen cars in 1994 (the latest year available) had a lower recovery rate. By contrast, only 7 per cent of the cars stolen in Norway were not found. According to the Automobile Association, older cars, rather than glitzy new models, form the most popular targets for British car thieves, because they lack the latest security locks, immobilisers and alarms. Rather than being disguised and sold, most of the older vehicles stolen are stripped down for their spare parts. "Spares from a five-year-old car - which is unlikely to be alarmed or fitted with an immobiliser - are often worth far more than the car itself." says the AA. Haig Simonian, Motor Industry Correspondent

### Stolen cars recovered



# Balance of payments for 1995 swings further into deficit

By Graham Bowley, Economies Staff

countries.

Britain's balance of payments swing further into deficit in the final quarter of last year as transfer payments to European Union institutions reached record levels, official figures showed yesterday. The current account was in

the red to the time of £1.5bn in the fourth quarter of last year. the Central Statistical Office This was less than the £3.1bn deficit recorded in the third

quarter, because of a recovery in income from UK companies investments overseas, which recorded its highest surplus for But the figure took the defi-

cit for 1995 as a whole to £6.7bn. This was more than three times as hig as the deficit in t994 - but still little more

than half the size of the £11bn deficit recorded in 1993, Revisions to earlier data also

provided a gloomier quarterly picture of the balance of payments throughout 1995 than earlier flaures had straggsted. The CSO increased its estimates of the deficit in both the

second and third quarters of last year by about a third because of lower investment income from abroad and higher transfers to the EU. The UK's payments to EU

institutions - such as the agri-cidtural fund, social fund and regional development fund far exceeded receipts from the EU last year. The payments deficit almost

doubled from \$2.160 in 1994 to £4.1bn iu 1995.

There was a particularly sharp deterioration in the fourth quarter. The deficit on overall transfers, including

The current system of measuring and controlling government finances based on the public sector borrowing requirement hinders investment and should be reformed. a leading accountancy firm says today.

Coopers & Lybrand says that attempts to control the PSBR. which tends to focus on government borrowing in one year, mean that longer-term investments are cut for the sake of short-term savings.

that an annual set of government accounts should be pub-

The firm proposes instead

those to EU institutions, rose to a record £2.5hn from £1.5hn in the third quarter. The data finally dashed any lingering hopes that the current account would record a

surplus last year after improv-

lished and that there should be changes to financial controls to enable public bodies to raise more private finance for new investment in areas such as council housing. Ms Rosemary Radcliffe, the

firm's bead of economics, said: "No sensible person would try In assess the financial position of a company just by looking at its borrowing in a single year, rather than by assessing the company's overall balance sheet strength, so why do we continue to do this for the gov-The report's conclusions are

ing in the autumn of 1994. The deterioration in the visible trade balance reflected the sharp slowdown abroad which hit exports.

Services income bucked the trend, however. Net income

investment income - compa

nies' earnings from their overseas subsidiaries and hranches

# **Commercial Property**

reach

52,000

property

decision

Fax +44 0171 873 3098 swarc 95

FAST, EFFECTIVE, AFFORDABLE Would speaking your Customer's language have made the difference?

Did your last meeting overseas gn as well as you had hoped ? No ? Why not ? Did you lase nut to a competitor who did speak the language of the customer? Dnn't let it happon again -

Call BERLITZ for detalls of 'Doing Business tn' French/German/Spanish NOW nn

0171 - 915 0909 0121 - 643 4334 0161 - 228 3607 0131 - 226 7198

Berlitz Helping the World Communicate. To advertise your

Contact

**Courtney Anderson** +44 0171 873 3252

**Nadine Howarth** +44 0171 873 3211

# In the fight against disease, this could be the most powerful weapon yet.



It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight

against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.



Pharmacia &Upjohn

olls als

ontests in two
dates. Mr
oth appointed
r Jean
od into the
second in a
fland contests
y in westers

Boot the Bloc Quebecois as The BQ has Id 177 seals r Jean In the last however, for ence Simon, Torons

after a share it, a New York
bruary. This above the and other since readings owth.

If y "quire ir Edgar harms"

s did
e freely,
se. Washingt

Penspal
said the US
æ", with

e period

President Bill

Mr Greenspan

India, Office of

unated as

are economist,

ed the dollar's

intaming the month and in Hashington Fise Easter holiday minister, said

iCTV)
if the
al Monetary
frame, Caraca

robe
esserday in a
peochment or
croited by

ed doors at the or officials said a law title deepening once and in it did so and again of a part of a part of a part of a

es they knew contributions for a election Restor, Segon to died and He was

servant.
Mr Clanos
onviction
test
from 1980 to
has a senate.
The test and asso

Processing the process of the proces

or the Issue space of the Issue of the Issue

Sion Fire Sion Fire Serve with Sords, tel Som Decemb Sin 9,555 with 1996 Marian Edmunds reports on a do-it-yourself environmental manual for tour companies

# Green guidance

perators of small and medium-sized tourism companies often feel that good environmental practices are beyond their expertise or

The tourism industry is fragmented and small businesses may be unable to afford, or culturally resistant to, biring environment consultants. So they may think it unlikely that a small outlay can achieve cost savings and environmental benefits and bring extra

Yet the evidence suggests that all these things are possible, so long as belp and guidance is available. This is recognised by the Rural Develop-ment Commission, which has just launched a do-it-yourself environmental audit manual for tourism enterprises, with the assistance of the English Tourist Board and British Airways.

The national launch of the Green Audit Kit - The DIY guide to Greening Your Tourism Business follows a successful pilot project run in 1993 and 1994 by the South

Devon Green Tourism Initiative. "Many tourism businesses became interested when they realised the potential cost savings but many were also inspired by the

ncreased energy efficiency often

in compentive industrial

markets the extra cost can be

customers. Such has been the case

with high-efficiency electric motors,

The motors, which bave been available since the early 1980s, are 3

perceotage points more efficient

than their standard counterparts,

but bave to use low-silicon steels

that increase the material content

Equipment makers were rarely

prepared to pay the premium.

But what if the same

and raise the cost by 25-40 per cent.

improvement in efficiency could be

achieved without increasing the

achieved - of a four-year UK

cost? This has been the aim - now

enough to deter potential

comes with a price penalty, and

need to care for their local environment, says Paul Dingle. project manager for the pilot

Nigel Way, owner of the 25-bedroom Royal Castle Hotel in Dartmouth, Devon, admits that at first he "cynically looked at the Green Audit Kit as a marketing tool". Soon his satisfaction at improving bis hotel's environmental perfor-mance surpassed marketing aims. "Ooce you start making enviroomental improvements the feel-good factor sets in and it becomes obses-

"The early steps [energy improve-ments] we took saved us £2.000 in the first year." Now he is less concerned with cost savings than with environmentally sound practices and holds regular meetings with staff where everyone from the kitchen bands to senior staff are encouraged to make suggestions or

Visitors, he says, respond positively. "I believe visitors are more concerned about the effect they have on the euvironment than many businesses give them credit

A green folder is left in each room explaining what environmental steps the hotel is taking and bow

government-backed research

programme involving Brook

Hansen, the electric motors

producer that is part of BTR.

teams from Cambridge and

Sheffield universities.

cent reduction in losses.

European Electrical Steels and

A 3 percentage point improvement in efficiency does not

sound much when standard motors

are already, typically, 90 per cent

efficient, but it represents a 30 per

used by industry consumed by

With two-thirds of the electricity

electric motors, it made sense, from

Mighty motor

attractive.



Stapping up Improvements: Nigel Way at the Royal Castle Hotel

the guests may belp. Suggestions include adjustment of radiator thermostats or indicating which towels need washing by leaving dirty tow-els in the bath.

Six topics are included in the kit.

They include resource efficiency energy and water, thoughtful purchasing, waste and recycling, the visitor environment, transport and the local environment. According to Delwyn Matthews, development manager for the West Country Tourist Board: "The underlying theme of the kit is teamwork among representatives of statutory bodies and the tourism industry. Eighty per cent of the UK's botels have 10 beds or less so it makes sense to

harness expertise particularly when

an eovironmental point of view, to develop high-efficiency motors that

Hence the £4m backing from the

electrical steel, marketed by EES as

Polycor 420-50. Its basic magnetic

properties have been improved by

about 15 per cent compared with

the best steel grade then in use for

Department of the Environment's

energy-efficiency best practice programme - one third of the

research project's £12m cost.

Key to the success of the

programme has been a new

would be more commercially

national funding has been severely limited," says Matthews. The WCTB, the largest regional

tourist hoard in England, piloted the kit and several other tourist boards have expressed interest. Financial support for the kit was provided by British Airways.

"Large businesses are often able to employ environmental advisers and the Green Audit Kit provides a means for small businesses to embrace their responsibilities," says Hugh Somerville, BA's bead of envi-

The Green Audit Kit, The DIY Guide To Greening Your Tourism Business. Available from Regional Tourist Boards in England. \$10

these types of motors.

Additional improvements have come from better thermal and aerodynamic design, reduced seal losses, more standard parts and

reorganised manufacturing.
The new Brook Hansen W motor range was first launched in 1983, and is currently offered in an output range from 2.2kW to 22kW although motors up to 185kW already share some of the range's characteristics.

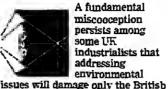
The motors could cut UK industry's electricity costs by at least £80m a year and reduce carbon dioxide emissions from power stations by 25m tonnes a year,

**Andrew Baxter** 

# Viewpoint · By Terry Thomas

# Ecology as a carrot not a stick

Industrialists should wake up to the benefits of sustainable development



miscooception persists among some UK industrialists that addressing environmental

economy and will cost jobs. This, I believe, must be challenged. Just a few weeks ago, for example, the representative bodies of a number of industrial sectors persuaded the UK government to delay implementation of new solvent emission rules.

The whole episode is reminiscent of 1991, when the British casting industry issued dire warnings that proposed emission controls would have a severe impact on competitiveness. But subsequent studies found that foundries bave made big savings and realised improvements in product quality by switching from alcohol-based to water-based processes. The imperative for sustainable development has yet to penetrate some business people's

consciousness. In the past, the Co-operative Bank has also tended to use sticks to influence certain potential business customers rather than incentives, and in accordance with the wishes of our personal customers we have refused to provide some companies with financial services. in future, we will be complementing this approach with carrots, such as our National Centre for Business and Ecology. The centre, launched last week by Tony Blair, the leader of the Labour party, is bringing together the knowledge and expertise of some of the UK's top universities (University of Manchester, University of Salford, Manchester Metropolitan University and Umist).

It will offer high-quality advice at a reasonable cost to belp business customers maximise the

opportunities available to them for example, providing cost savings from energy efficiency and waste minimisation; ensuring legislative compliance so no fines are charged or pollution officers come knocking on the door, and, importantly, to help them develop ecologically sound products which can be sold at a premium.

Quite simply our job is to reduce the cost of our customers' processing and production costs and increase the revenue obtained from the new products they then produce. One of the centre's first clients was Accent Doors, a metal door manufacturer, which wished to pursue a zero emission standard for solvent emissions in its paint shop. The motivation is to remove potentially carcinogenic chemicals and belp to gain the company a competitive edge in world markets. Rather than fighting higher

Production of waste and pollution indicates inefficiencies in the

industrial process

standards, like some of their industry colleagues, they recognise that production of waste and pollution indicates inefficiencies in

the industrial process.
These types of improvements not only save business money but also create new environmental industries, And here there is some positive news; the UK has a £500m trade surplus in environmental products and services. The growth rate in the sector has been three times greater than that of the UK

manufacturing industry in general. But the government must offer stronger non-monetary incentives to business if it wants UK plc to do better. Companies in countries such as Japan and Germany are winning the environmental race because their governments are giving them strong backing.

Germany's support for environmental industries includes a foreign aid programme with environmental aid accounting for more than 25 per cent of expenditure. Japan's support for environmental industries includes a tax incentive for investments in pollution control equipment as well as tax credits to support environmental research and development. The US commitment to environmental industries includes around \$1bn (£600m) in export support.

Contaminated land is an area I would particularly like to see the government address. I propose it should develop a certification system whereby measures resulting in the clean-up of contaminated land are formally acknowledged. A developer would pay to have a contaminated site analysed - a task that could be outsourced to universities - and receive suitable certification. Later clean-up activities could also be acknowledged and the land awarded a more favourable grade. On a subsequent certificate the developer would then be in a position to sell this improved land, perhaps with incentives from government, such as exemption

from the capital gains payable. But few developers are going to purchase and attempt to clean up land if they are forced to assume liability for all previous activities leading to that contamination.

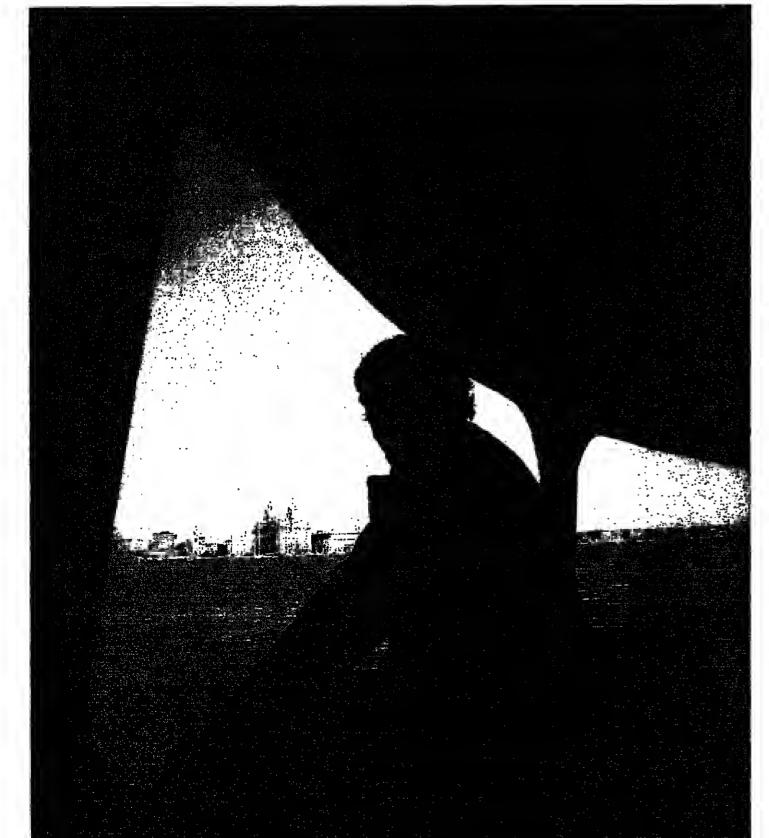
Therefore, a line would be drawn under previous use of the site and future liability would be restricted to the last certificate issued.

In this way, the private sector could be encouraged to bring derelict land back into productive use and relieve pressure on our greenfield sites.

This particular "carrot" would not cost the Treasury anything as the land would otherwise not be developed and no capital gains tax

would have been payable. Contaminated land is just one area in which government could provide powerful incentives for business. Even without these, the shrewd business person will be making their business more aware of the demands of sustainable development, while identifying the new markets and the new profit opportunities.

The author is managing director of Co-operative Bank. For details of the activities of the bank's National Centre for Business and Ecology, contact Paul Monaghan, ecology unit manager, on 0161 829 5461.



Thinker, tailor, screenwriter, sailor, rich man, foreman, businessman or comic? (It must be something in the water.)

From Lord Leverhulme to Leonard Rossiter, William Pilkington to Willy Russell, Merseyside has always been incredibly rich in one natural resource. Its people.

Where else has the same wealth of entrepreneurial spirit and creativity?

There's a pool of talent here that a business can float on.

For more information on investment opportunities on Merseyside call 0800 22 0151

A'pool of talent

Foreign productions have been an immediate hit in a country which, for most of its history, has been cut off from the rest of the world. Melodramatic Latin American soap operas have been especially popular. In the first, giddy years of open airwaves Russia was so obsessed with these chronicles of sex, love and money that cabinet ministers would interrupt meetings to catch the latest episodes and crowds eager to know the next twist in the tale mobbed the Mexican ambassador whenever he ventured on to the streets of Moscow. Bnt, with remarkable alacrity, the Russian television industry has shed its Soviet shell and begun to

Television in Russia

# Come on down, Mr Yakubovich

produce local programmes of west-ern quality. On the news front, Russia's ground-hreaking programme is Itogi (Conclusions), the flagship weekly news show of NTV, the only national independent television station. The Kremlin, which has adapted to political pluralism less enthusiastically than Russian television audiences, has perlodically threatened to shnt down NTV and tried to intimidate Most Bank, its proprietor.

Watching this week's show, it is not hard to understand the government's pique. In contrast with the neutral tone and carefully balanced reporting which western news broadcasts aim for, watching Itogi is like having a conversation with a Moscow intellectual. It ts highly informed, loves conspiracy theories and ts profoundly sceptical about the ability of the government to do

Consider this week's report from

Chechnya, a conflict which NTV has covered with unrivalled courage. The clear target of this week's broadcast was General Pavel Grachev, the minister of defence. By jumping back and forth between a self-assured Grachev speaking at a press conference and directly contradictory footage from the battle lines, Itogi presented the minister in the worst possible light. It then drove the point home with interviews with unnamed soldiers and officers in Chechnya who gave examples of what one officer called "the complete disorganisation of the army" and, in the words of an

unhappy recruit, opined that "we should not be here at all". Some of NTV's fans and report-ers, are worried that the nnexpected decision this week of Igor Malashenko, the station's chief executive, to join Russian president Boris Yeltsin's re-election committee could hring an end to this sort

of critical reporting. That would be a shame, because the powers that be already have a mouthpiece in the form of ORT, one of two nationwide, state-controlled channels.

ORT's weekly wrap-np programme, Sunday, is living proof of how much NTV stands to lose if it hegins to give in to the Kremlin diktat. This week Sunday led with a piece recoonting the historic evils of communism, featuring graphic footage of Stalin's gulags and the artificial famine in Ukraine. Five years ago, a programme like this would have been a hrave example of perestroika. But, less than three mooths hefore presidentlal elections in which Yeltsin's strongest challenger is communist leader Gennady Zyuganov, it looked more llke negative political advertising.

For western Kremlio-watchers, news programmes like Itogi and Sundou are still one of the best measures of Russia's progress towards an open, democratic society. But the public, which was addicted to news hroadcasts when the Iron curtain first began to creep np in the 1980s, has lost interest.

Television ratings show that Russlans want gentle entertainment, and the programme that delivers it hest is Field of Dreams the country's most popular weekly. Field of Dreams is Russia's version of the American Wheel of Fortune: contestants try to guess mystery words in order to win prizes.

But this standard western gameshow format is animated by distinc-tively Russian touches. This week, for example, Leonld Yakubovich, the moustachioed, rotund host, asked Irina, a young female contes-tant, if she had a hushand or hoyfriend. When Irina said she did not, Yakubovich turned to the camera and furiously berated the menfolk of Liskova, Irina's village, for letting such a pretty flower go unpicked. "What's wrong with you. you men of Liskova, are you all slck in the head?" Yaknhovich thundered.

He also occasionly indulges in a subtle penchant for political commentary. As he chats with his contestants, he never misses an oppor-tunity to point out how anarchic and poorly managed Russla has become. If the Kremlin watchdogs are really serious about ensuring that Yeltsin gets an easy ride on the screens of the nation, they would be well-advised to have a word with Russia's most popular TV personality, the quietly subver-sive Yakubovich.

A nawer game-show gives an even clearer impression of the over-riding obsession of Russians today. Money. Money? Money! is a programme devoted to explaining the dizzying variety of new financial instruments available in Russia's wild new market economy.

This week's show was devoted to promissory notes - not normal daytime television fare in the west. Three contestants tried to make as much money as possible hy choosing hetween investments in various promissory notes and bonds. To make the competition anthentic, some of the notes turned ont to be fraudulent, leaving the unlucky investor without a kopek.

Money. Money? Money!'s assumption that no one can be trusted and the unwary risk being duped ont of their savings is the explanation for the most unusual offering on Russian television this week; an advertisement taken out by the US gov-

This week the US is introducing new \$100 banknotes. The transition has been uneventful in the US, but American and local anthorities are worried that in Russia, the largest foreign holder of US currency, it could trigger a run on tha banks as people scurry to exchange their old hills for new ones. So, in the clearest sign yet that the cold war is over, dozens of times a day a gentle votce reassures Russlan viewers that they will never, ever be deceived by the US Treasury.

Chrystia Freeland

# La Scala on the move

Teatro alla Scala, Milan's world-famous opera and ballet company, is to move to a new theatre in the old industrial district of northern Milan from 1999 while work is carried out on its neoclassical home in the city centre.

The season of opera, ballet and concerts will return to its 200-year-old base in December 2001, and leave Milan with a new space for the arts.

The new theatre should allow Milan to host more touring productions. Announcing the move yesterday, Carlo Fontana, La Scala'a director, said it would also become the venue "the popular side of La

The design of the new theatre should be approved in June, as part of Italian architect Vittorio Gregotti's overall plan for the renewal of Milan's. Bicocca industrial district. The theatre will cost L27bn (£11.35m) to build, but the total cost of the project will depend on La Scala's requirements for fitting out the Interior.

La Scala is expected to spend about L70hn enlarging and improving the stage and back-stage area of its headquarters. The 2,800-seat theatre was rehuilt and restored in 1946, after it was nearly destroyed ond world war. The stage area, however, has not been properly updated since 1778, when the theatre was restructured hy Giuseppe Piermarini. The work should increase the theatre's capacity and give the company more flexibility to stage complex productions in quick suc-

ţ٤.

ce

rs

rei

ð

77.5

 $\tau c \sigma$ 

11

ıį

.0

ines.

4<u>901</u>1

 $M \lambda$ 

Sinn

112

ı.i

jor s in

: the

d 10 th

ů Cili

criticissi

لناعوعتان

ions in r-3--

id led to the led to t

0.120

The Bicocca project, co-ordinated by Milano Centrale, a subsidiary of the Pirelli tyre and cables group, is one of Italy's most ambitious urban renewal programmes, combining university huildinga. research, business and residential developments.

Before tha new theatre is opened, public transport links will be built to join the area to the city centre and the underground railway network, city anthorities said yesterday.

Andrew Hill with-history eccount of Wil-



Best Actress: Susan Sarandon in 'Dead Man Walking', to be released in Britain this week

# Offbeat roles win the Oscars

# Nigel Andrews on the awards in which the US reclaimed the acting honours

e feared that:a han on British ham would he enforced at this year's Academy Awards and we were right. After years of Anglophilla, Sir Anthony Hopkins, Emma Thompson and Kate Winslet had to stand aside as the acting honours were taken hy Americans in downbeat or offbeat roles.

A drunk (Nicolas Cage), a nun (Susan Sarandon), a prostitute (Mira Sorvino) and a psychopath (Kevin Spacey) won the front-of-camera statuettes, whila an Americanised Austrahan'a film about a Scotsman, Mel Gibson's cheerful, loose-

Best Picture and Best Director. Cage and Sarandon were worthy winners for Leaving Lns Vegas and Dead Mon Walking, though their awards reaffirmed the academy practice of honouring low-key or discordant movies in the acting category while favouring triumphalism for the top movie

awards. It is heartening, nonetheless, to see Oscar attention iavished on a \$3m film ahout suicide in Sin City and a scarcely costlier docudrama about death on Death Row. Britain was consoled with a

prize to Nick Park, for animating Wallace and Gromit, and a Best Adapted Screenplay prize

liam Wallace, Braveheart, took for Emma Sense And Sensibility Thompson. It was the only Jane Austen Oscar on the

evening. Elsewhere it was a night to remember. Indeed, one could not forget it if one tried: the song-and-dance numbers that seemed designed by some window-dresser from hell, the frequent and unnerving early hints that Babe would be the Academy's 1996 favourite (including a satellite link-up hetween the piglet and compere Whoopi Goldberg) and the baroone incomprehensibility of the more orotund speeches.

Sidney Poitier was chosen to present the Best Picture topher Reeve - in a deus ex award, possibly in deference to machina production coup that

the demonstration outside the theatre against Hollywood's revealed hehind a rising unequal treatment of hlacks. screen, Superman bound to his (There was one nomination for eternal wheelchair. them, someone calculated, out l have no idea why Reeve of 166 for whites.) "Through

rivers of the heart . . . " Poitier

voice, before losing his audi-

ence in the hinterland of this

who could harely talk at all.

Kirk Douglas, honoured for his

lifetime, thanked the Academy

through a face part-paralysed

by a recent stroke. And Chris-

complex metaphysical map.

was there, though he intropassages of the mind and down duced a hrief film collage featuring disadvantaged movie unfurled in his most resonant characters. But his appearance and hrief, dignified speech said just about everything about the Oscars. To bring him on at all was a piece of shameless At the other, preferable extreme were the celebrities emotional exploitation. At the same time it made us recognise the thread by which success hangs in this unforgiving industry, which sets aside just one night a year to commemorate its more colourful casualTheatre

# Baby Jean and the great debate

### Ian Shuttleworth on the start of a season of Irish plays

he flagship production of BAC's Irish Festival is the world premiere of a play hy Dermot Bolger, which the Abbey Theatre, having commissioned it, decided not to stage for fear of arousing topical

controversy. Baby Jean may have had its genesis in the heated Irish debate on abortion hut its immediate concern is, in Bolger's words, with "a generation of Irish people now hitting the 50 mark who were schooled to be civil servants and so on in a new, gleaming Ireland, who have moved on and up in the world and learnt to survive hy side-stepping any divisive issue; now, something which they'd always kept as an abstract matter, suddenly becomes flesh and blood in

their own living room". The horns of Paul and Anna Farrell's dilemma are the arrangement of an English abortion for their teenage daughter Jeanie (who never opears), and the pu of Paul's colleague, the suave and instruating Kevin Redmond, who may have raped

Bolger's writing is - as usual a heightened, poetic version of naturalism, which Jim O'Hanlon's largely realistic direction does not always accommodate. It takes more than a lighting change to cater for the artifice of Anna's soliloquies as she packs in the bedroom while Paul and Redmond engage in verbal fencing bouts downstairs, but Bernadette Shortt gives it her best shot in the circumstances. The scenes of dialogua flow more easily, although in the second half, with Redmond

hound and hlindfold, we enter

tational confessional territory

However, as the arguments

of plays like Extremities and

the now-familiar confron-

Deoth and the Maiden.

intensify, it becomes apparent that even for the Farrells the issue of the unborn child is secondary to that of their image on the suburban executive estate they inhabit. If they denounce Redmond, his crime (be it actual or statutory rapel becomes known and Jeanie will be haunted by a whispering campaign whether or not she terminates; the conflict becomes one of justice versus pragmatism. Bolger's hleak ending is a

hroadly predictable result of his perhaps excessive caution not to be seen to take an authorial side.

Even for the Farrells the issue of the unborn child is secondary to that of their image

Christopher Dunne, as Paul Farrell, dominated alternately by his wife and his subordinate, gives a performance of plausible spinelessness in which even his outbursts are ultimately ineffectual; Shortt is every inch the fiery Irish wife and mother. John Gunnery seems at times conscious that he is palpahly too young to play 50-year-old Redmond hut is adroit at the character's

smiling villainy. The play is, of course, finely written and thought-provoking in several areas hut a feeling persists that both writer and director could have done with striking the dramatic fire a little higher.

At BAC, London SW11, until April 4 (0171-223 2223).

# INTERNATIONAL

### ■ AMSTERDAM

Christies Amsterdam Tel: 31-20-5755255 20th Century Decorative Arts and Antique Furniture: highlights of tha sale include glass designs by A.D. Copier, posters by Toorop, a chair designed by Rietveld, five pieces of furniture by Carlo Bugatti, and four verres églomisés" by Jones Zeuner; 10.30am & 2pm; Mar 28 CONCERT Concertgebouw

 Koninklijk Concertgebouworkest: with conductor Reinbert de Leeuw, the Schoenberg Ensemble and pianist Maria Bon perform works by Ford, Scriabin, De Vries, Messiaen and Yun; 8.15pm; Mar 28

**■ BERLIN** 

Tel: 31-20-5730573

Deutsche Oper Berlin Tel: 49-30-3438401 Die Zauberflöte: by Mozart. Conducted by Hans Martin Rabenstein and performed by the Deutscha Oper Berlin. Soloists Include Blank, McCarthy, Rundgren and Feldhoff; 7.30pm; Mar 29

**BONN OPERA** Oper der Stadt Bonn Tel: 49-228-7281

 Queen of Spades: by Tchaikovsky. Conducted by Alexandar Lazarev and performed by the Oper Bonn. Soloists include S.M. Shpresa, L. Schewichenko, D. Jugovic and L. Naviglio; 8pm; Mar 28; Apr 2

**■ BRUSSELS EXHIBITION** 

Le Botanique Tel: 32-2-2183732 Ca tourne depuis Cent Ans, une Histoire du Cinéma Francophone de Belgique: in film's 100th year, this exhibition focuses on the history of the cinema in Wallonla; from Mar 28

# **■ COPENHAGEN**

Det Kongelige Teater Tel: 45-33 14 10 02 Madama Butterfly: by Puccini. Conducted by Paolo Olml and performed by the Royal Danish Opera. Soloists include Gitta-Maria Siobero and César Hernández; 8pm; Mar 29

### DRESDEN

Sächsische Staatsoper Dresden Tel: 49-351-49110 Symphony No.9: hy Beethoven. Performed by the Sächsische

Staatskapelle Dresden with conductor Giuseppe Sinopoli. Soloists include soprano Solveig Kringelborn, alto Florence Quivar, tenor Uwe Heilman and baritone Alan Titus; 8pm; Mar 31; Apr 1

**LEIPZIG** 

Oper Leipzig Tel: 49-341-1281261 Katya Kabanova: by Janacek. Conducted by Jiri Kout and performed by the Oper Leipzig. Soloists includa Juan, Bartha, Helfricht, Halx, Chmiel, Kunder Gentile, Schörner and Chol; 7.30pm;

LISBON

CONCERT Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131 Matthäus Passion: by J.S. Bach. Conducted by Frans Brüggen and performed by the Orchestra of the Eighteenth Century; 9.30pm; Mar 28, 29 (6.30pm)

■ LONDON

AUCTION Christies South Kensington Tel: 44-171-5817811 20th Century Continental Decorative Arts: highlights of the sale include a selection of Daum, Gallé and Loetz glass. Also on sale

are several pieces of Hungarlan

pottery by Zsnolay Pecs; 1pm; Mar CONCERT

Barbican Hall Tel: 44-171-6388891 The London Symphony Orchestra: with conductor Daniele Gatti perform Mozart's Symphony

No.40 in G minor, K550 and Bruckner's Symphony No.3; 7.30pm;

Royal Albert Hall Tel: 44-171-5898212 Classical Spectacular: a programme of classical hits performed by the Royal Philharmonic Concert Orchestra with conductor Anthony Inglis, tenor Bonaventura Bottone, baritone Mark Helland, the London Choral Society. tha Band of the Scots Guards, the Band of the Welah Guards and the Muskets and Cannons of the Sealed Knot. The programme includes O Fortuna from Carmina Burana, the Swan Lake Finale, the Pearl Fishers Duet, Bolero and the 1812 Overture with live canons and muskets: 7.30pm; Mar 28, 29, 30 (also 3pm),

31 (also 3pm) Royal Festival Hall Tel: 44-171-9604242 • The London Philharmonic: with conductor Mariss Jansons and pianist Dmitri Alexeev perform works by Rachmaninov and Shostakovich: 7.30pm; Mar 28

### ■ LUCERNE

CONCERT Jesuitenkirche Tel: 41-41-2103562 Johannes Passion: by J.S. Bach. Performed by La Petite Bande. conducted by Sigiswald Kuijken. Soloists include Dorothea Röschmann, Andreas Scholl, Christoph Prégardien and Werner Van Mechelen; 7.30pm; Mar 28

### ■ NEW YORK

CONCERT BargeMusic Tel: 1-718-624-4061 Ruth Laredo, Christiaan Bor,

Toby Hoffmann and David Jolley: tha pianist, violinist, viola-player and horn-player perform R. Schumann's Adagio and Allegro for Horn and Piano, Op.70 and Märchenbilder for Viola and Piano Op.113, and Brahms' Trio for Violin, Horn and Piano in E flat major, Op.40; 7.30pm; Mar 28, 31 (4pm) Tha Metropolitan Museum of Art

Tel: 1-212-879-5500 Beaux Arts Trio: perform works by Hummel, Arensky and Brahms; 8pm; Mar 29, 30 EXHIBITION The Metropolitan Museum of Art

Tel: 1-212-879-5500 Poussin: Works on Paper. Drawings from the Collection of Her Majesty Queen Elizabeth II: the Royal Collection at Windsor holds one of the largest groups of drawings by the 17th-century French artist Nicolas Poussin (1594-1665). These drawings were originally mounted in two albums that were assembled during the artist's lifetime

by his patrons Cardinal Camillo Massimi and Casslano dal Pozzo. A group of 65 works, many double-sided, comprising almost all the autograph drawings in the collection, has been selected for this exhibition; le Mar 31

### OSLO CONCERT

Oslo Konserthus Tel: 47-22-834510 Oslo Filharmoniske Orkester, with

conductor Jesus Lopez-Cobos and the Filharmoniens Kammerkor perform Congliane's Symphony Ne.1 and Mozart's Mass in C minor. Soloists include Malin Hartalius Kristina Hammarström, Mathias

Zacharlassen and Peter Harvey; 7.30pm; Mar 28, 29

PARIS

CONCERT

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Wiener Philharmoniker: with conductor Pierre Boulez perform Haydn's Symphony No.104 (London) and Mahler'a Symphony No.5; 8.30pm; Mar 28

OPERA L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99 Faust: by Gounod. Conducted by Yves Abel and performed by the Opéra National de Paris. Soloists include Marcello Giordani, Willard White, Jeffrey Black and Renée Fleming; 7.30pm; Mar 28, 31 (3pm)

### ■ STRASBOURG

CONCERT Palais de la Musique et des Congrès Tel: 33-88 37 67 67 Bolshoi Orchestra: with conductor Alexander Lazarev and cellist Alexander Rudin perform works by Dvorák and Shostakovich; 8.30pm; Mar 28

### ■ VIENNA **OPERA**

Wiener Staatsoper Tel: 43-1-514442960 Aida: by Verdi. Conducted by Jun Märkl and performed by the Wiener Staatsoper. Soloists include Dolora Zajick, Julia Faulkner, Goran Simic and Kurt Rydl; 7pm; Mar 28, 31 (6pm)

WORLD SERVICE BBC for Europe can be received in western Europe on medium wave 648 kHZ

EUROPEAN CABLE AND SATELLITE **BUSINESS TV** (Central European Time)

MONDAY TO FRIDAY **NBC/Super Channel:** 

FT Business Momina

10.00 European Money Wheel Nonstop live coverage until 15.00 of European business and the financial

Financial Times Business

CNBC:

09.00 Squawk Box-

10.00 European Money Wheel

18.00 Financial Times Business Tonight



**Edward Mortimer** 

# Mutilation machine

Landmines kill and maim children but, concludes an expert study, they have never yet stopped an advancing enemy

War is hell, and so it should may explain the lack of deterbe. Any attempt to moderate rent effect. Landmines are laid or "civilise" it is perverse, by armed forces, regular or because it encourages people irregular. And armed forces, to think of it as an acceptable while not immune from their way of pursuing political effects, are much less vulneragoals. In sbort, the more horrible than the civilian populable war is, the better. tion. That is one of the find-That is a very old argument, ings of a study to be published which enables pacifists to suptomorrow by the International port nuclear weapons, or Committee of the Red Cross\*.

rather enables nuclear deterwhich breaks new ground hy rence theorists to proclaim themselves pacifists. But it setting out to analyse the military use and effectiveness of becomes especially grotesque when applied to anti-person-AP mines, as well as their humanitarian consequences. nel (AP) mines. Up to now, military estab-

The effects of these are lishments in almost all counamply documented. War surtries have opposed a ban on landmines, arguing they are essential defensive weapons geons working with the International Red Cross describe mine injuries as among the whose military value out-weighs their human costs. most horrific they regularly encounter. The effect is usu-Yet, it seems, this alleged milially death or permanent mutitary value has never before lation; and "the very mechaheen systematically analysed. nism of wounding by That is the gap which the pressure-activated mines author of the study, Brig Patemhedded in the earth ensures maximum foreignrick Blagden, has sought to object contamination in the Blagden gained practical

experience of the problem dur-That should be quite a powing a career in combat engierful deterrent. But one thing neering and weapons research landmines clearly do not deter with the British army, and, more recently, as senior demining adviser to the UN junlike nuclear weapons) is their own use. The US state department estimates there department of peacekeeping operations. His conclusions are currently about 84m uncleared landmines spread are endorsed hy nine other around 61 countries. UN mine senior officers from western and non-aligned countries. clearers removed some 85.000 during 1994, while something They are quite emphatic: between 2m and 5m new ones "No case was found in which

were laid Those weapons have already been "used". Even the people who put them there would have great difficulty in removing them, as, in most cases, they are neither adequately marked nor mapped. They are sitting there in the ground, waiting for someone to step on them. Every month, some

2.000 people do so. One in every 236 Cambo-dians has had a limh amputated: one in 470 Angolans; one in 650 Somalis. (For comparison, in the US, where no landmines bave been laid, the figure is one in 22,000.) Many of the victims are children, Almost all are civilians.

Paradoxically, this very fact

mines played a major role in determining the outcome of a conflict." At best, they act as delaying elements, but they "have never yet stopped an advancing enemy". The 1991 Gulf war is a case

in point. After seizing Kuwait in August 1990, Iraq erected defences including an estimated 9m mines. Most of these minefields were hypassed when the ground war began. Where they could not be, the forces of the US-led coalition breached them with apparent ease, using tankmonnted plonghs and armoured hoses: they broke through Iraqi positions in two hours, instead of the 18 hours they had calculated. Afterwards, several blown-up Iraqi vehicles were found in the minefields, hut none belonging to the coalition forces. The main "vehicle casualties" were cars belonging to Kuwaiti civilians who had tried to escape during the

Indeed, the study finds, "the only purpose for which mines have been used with total success... is for the containment or harassment of civilians" for instance by Saddam Hussein in Kurdistan, by former president Siad Barre in Somalia and by the Khmer Rouge in Cambodia (the latter may still be at it: yesterday a British-led mine clearance team was kidnapped by "armed elements" in an area where Khmer Rouge are known to operate.) But, it adds, "the use of mines for such purposes has no military value, and the success of the AP mine in this role cannot be used as a military justification for their

To be effective against enemy forces, minefields need constant monitoring to prevent infiltration and constant maintenance to repair the effects of rainfall, soil erosion, enemy attacks and incursions by animals (the latter first detonate the mines, rendering them inactive, and then become rotting carcasses, causing a a stench and a health hazard). The forces that laid

the mines are themselves hemmed in hy them, and hecome easier targets. hunched into narrow exit corridors, if they have to leave

their base under enemy fire. Thus soldiers seem to be almost as much at risk from their own mines as from those of the enemy. When determined to advance, they do so, being equipped and trained to cope with the risks involved It is civilians, trying to resume their normal lives long after the conflict has passed on, who are the main

victims. Western governments disclaim responsibility, claiming only to commission mines with "self-destruct" fuses, and not to permit exports even of these. The study casts doubt on hoth arguments. Mines that are supposed to selfdestruct often fail to do so. Efforts to define self-destruct mines as "lawful", while benning cheaper ones, are counterproductive hecause they sound to poor countries like yet another "double stan-

Export controls are easily evaded. Manufacturers need to evade them in order to dispose of surplus stocks and cover design and production costs. Almost all mines used by warlords and irregular forces around the world originate from major manufactur ing countries, and were designed for those countries own armies.

People in many parts of the world will go on being killed or mutilated for decades hy mines already in the ground The best we can hope to achieve is to reduce their number. But there is little hope of achieving even that until western countries stop producing AP mines or equip ping their own armed forces with them, and take the lead in the campaign for a world-

"British Red Cross Anti-Per sonnel Mines Compaign" Freepost, London SWLX 7YY.

# ·LETTERS TO THE EDITOR:

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

# BSE: look to the wider industry to pay for the beef debacle

an epidemic of infected people.

Professor John Pattison,

government-appointed expert

committee on BSE, says that

offal ban in 1989 ("Mad cow

disease linked to humans".

March 21).

up to 500,000 people may have been infected before the hovine

The government failed to act at the earliest possible

opportunity to put sufficient

funds into research. It is essential we know how this

disease develops in humans

and to what extent it can be

passed from person to person

We are concerned there are

few facilities in the UK to

chairman of SEAC, the

From Mr Roland Davis. Sir, The gathering opinion that deregulation was at fault for the BSE crisis is

dangerously misguided. The theory of deregulation is that, if an industry is held responsible for its actions, then it will act responsibly and government can safely withdraw. Why did the beef industry not act responsibly? It is not enough to say that it thought the danger was small. An airline thinks the danger of short-cutting maintenance procedures is small but does not succumb to temptation. The difference is that, if a cavalier airline loses customer confidence and goes bankrupt, it takes responsibility. On the other hand, the beef industry took the view that, if the odds turned out against it, the government would bale it out. Sadly, it may have been right. If so, producers will know for the future that their incentive is to behave irresponsibly, and we must expect them to do so for a long time to come.

Roland Davis, Wayside House High Street. Shoreham, Kent, UK

From Mrs S.A. Wood. Sir, Is BSE the government's fault? It was not the government that sold animal feedstock which was contaminated. It was not the government that refused to tell livestock farmers what was in the feed marketed, not the government that profited from the sale. It was not the government that concealed the disease in cows going to the market, nor the government that flouted slaughterhouse regulations.

If the government pays, we. the public who have been put at risk, foot the bill.

If sale of feed had been a retail sale, it would have fallen under the Sale of Goods Act and also the EU directive which imposes strict liability on the producer for damage caused by the product. Why is the public going to pay: why not those whose pursuit of commercial profit caused the problem? Is it that, once again, the deepest purse is pursued, not the guilty or negligent?

The government makes regulations to safeguard public health, but whose responsibility is it and who should pay?

S.A. Wood, Cocksboot Farm, West Wycombe. Bucks HP14 3AR, UK

From Mr Paul A. Hendrick. Sir. In most consumer goods industries, companies supplying products which kill or seriously injure their customers suffer from both consequential loss of trade and from substantial claims from their victims. Their only bope of compensation is hy way of a claim against their own suppliers for defective raw materials.

In the topsy-turvy world of the agricultural industry. however, it is the victim who pays the manufacturer (by way of subsidy financed through the tax system) for the consequential loss. He himself receives nothing. And what is beard of the suppliers of defective raw materials, the large animal feed suppliers

A GUIDE TO BSE (BLAMING SOMEBODY ELSE)

the lines of the Apellation Controllé marks operating in

who had the bright idea of

supplying sheep's brains to

Sir, in your article "The death of British beef" (March

25) you suggest that one result

of the calamity "is that people

will start to look more closely

Yet, a few weeks ago, you

wider application of regional

control production methods on

at how food is produced".

deprecated the idea of any

quality marks which also

herhivores? Not a whisper.

Paul A. Hendrick

London N3 2NJ, UK

From Mr S.J. Noble.

14 Park Crescent.

other EU countries. Had there been such well-organised controls and quality marks in force, then risk free, organic, grass-fed Scottish beef would now be better placed to survive the current débàcle.

As smokers of Scottish salmon, we are bedevilled by consistent fraud and doubtful practices in our sector.

If the government is complacent in these matters. where is the support of the press encouraging authenticity and tighter bygiene standards by means of properly organised, government backed quality marks such as those operating in French wine and food production, for example? The Financial Times, for one, appears to encourage laissez

foire attitudes which positively

encourage risks and abuse. John Noble. chairman. Loch Pyne Oysters, Cairndow, Argyll,

Scotland, UK

From Mr Pete Moss. Sir. Perhaps this fuss about beef is not, after all, one of the world's worst cases of mass hysteria in recent times but a suddeo manifestation of genuine concern with bealth hazards.

Perhaps we can expect consumers to start boycotting tohacco, alcohol and drugs any day now. If this does not come about spontaneously, all the campaigners against such products have to do is get them endorsed by a few British ministers.

Pete Moss, 11 rue Dietterlin, 67100 Strasbourg, France

From Mr Clive Evers. Sir. As the organisation that offers support and information to the families of people with Creutzfeldt-Jakob disease, we are appalled by the prospect of carry out these kinds of

transmission studies. The members of our network, and the 650,000 people in the UK who suffer other forms of dementia such as Alzheimer's disease, know that care in the community is ill-equipped to look after these people in the future.

The government owes it to people who have become infected to prepare sufficiently and commit enough funding to care services to make their last months as dignified as

chairman, Creutzfeldt-Jakob Support Network. Gordon House, ... 10 Greencoat Place, London SW1P 1PH, UK

From Mr Rupert Pushman. Sir, I am dismayed by the way the Ministry of Agriculture, Fisheries and Food has handled the present situation regarding British beef. The scientific report on which MAFF has based its statement raises a number of questions but provides no real

answers.

1 shall continue to eat British beef because I believe it to be totally safe. My arguments for continuing to do so are threefold. First, even if we are to believe the latest medical research, the incubation period for this new variant of Creutzfeldt Jakob disease is 10-50 years. So, if we already have the disease, there is no

point in worrying. Second, the size of the sample population in the report is too small to find a conclusive and accurate picture. The victims' deaths might be due to any number of factors apart from CJD. Third, government scientific advisers have been quoted as saving they "have not seen this strain of CJD before". So what? CJD may have existed in beef and bumans for thousands of years, yet we may only recently have become technically

proficient to identify it. The most important question MAFF should ask is: "If this new strain of CJD is believed to be linked to BSE, then what was responsible for the outbreak of the original variant of the disease if it was

Rupert Pushman, 11 Crossborough Hill, Basingstoke, Hants, UK

From Dr Ornella Moscucci Sir. Given the uncertainties that still cloud our understanding of BSE and its transmission, it seems premature to draw up a list of the companies that stand to win or lose from the current beef scare (Lex. March 23).
If the animal-feed hypothesis

is correct, then it is worth pointing out that the use of animal feeds in cattle was hanned in 1989, but it was not until last week that the ban was extended to all other farm animals. It has been claimed that BSE can jump other species barriers, affecting not only human beings hut also cats and zoo animals; the suspicion must thus be that BSE might be transmitted to pigs and chickens as well.

On the other hand, it has also been claimed that most of the cases of BSE to date have occurred in dairy herds, which are not slaughtered for beef.

White meat producers have so far benefited from the furore over beef. They may yet prove vulnerable to sudden shocks if the belief that cheese, pork and chicken are safer to eat than beef turns out to be unfounded

Ornella Moscucci 32 Seymour Walk. London SW10 9NF, UK

From Professor R.A. Weale Sir, Joe Rogaly's penetrating analysis of UK bealth secretary Stephen Dorrell's discomfiture ("What is Mr Dorrell for?", March 23/24) makes interesting reading but seems to confuse the scientists' function in producing usable results with their participation in the decision-making process of the body politic. What needs emphasising is that scientists offer odds whereas politicians seek certainty. This distorts the scientific message. If politicians were remotely numerate, the question of trust would not arise. In any case, this is determined by the scientists' peers who vet results prior to publication (unpublished results are not worth the paper they are not

written on). Furthermore, Mr Rogaly's quest for the grail of harmlessness is unrealistic; negatives cannot be proved. It is noteworthy that even the quality press argues from hindsight. How many investigative journalists discovered what foodstuffs cattle were being fed under both Conservative and Labour governments and blew the whistle? If more time were devoted to uncovering the adulteration of food rather than adultery, everyone might be better off. Science is in its place, but is the press?

R.A. Weale, Age Concern Institute of Gerontology, King's College London, Waterloo Road, London SE1 8WA, UK

### ADVERTISEMENT

# Applause, Applause

the use of anti-personnel

Almost all

originate

countries

from major

manufacturing

mines used by

irregular forces

around the world

warlords and

Anyone can win over a tough audience, says hailed speechwriter. Just ask Lee Iacocca.

The chairmen of Fortune 500 companies like Coca-Cola,

IBM and General Motors make more speeches in a year

than most politicians do. And not just on television.

They speak all the time in the workplace and to col-



THE AMERICAN SPEAKER Your Guide to Successful Speaking Annu Bakshian, Jr., Editor (600 pages: Georgetown Publishing House)

By Len Taylor

The difference between success and failure, writes Aram Bakshian, Ir., in this remarkable new resource for public speakers, is the ability to communicate clearly and effectively. Never has this been more true than in today's intensely competitive business climate.

Bakshian should know. Speechwriter to "The Great Communicator" himself. Ronald Reagan, as well as to two other former presidents and the heads of several major corporations, Bakshian has witnessed the rise and fall of international leaders based on their ease - or lack of ease - on the podium. Anyone can master the art of speaking in public, Bakshian says, "In the last analysis, the spoken word is still king."

Fear and loathing of the rubber chicken circuit have long plagued public figures. "No one knows how I hate making speeches," President Calvin Coolidge once complained to a friend.

Bakshian tackles head-on the challenges of public speaking in AMERICAN SPEAKER. "As with alcoholism," he writes, "there is no known cure for stage fright. You're either a 'chronic' sufferer or a 'recovering' sufferer." In either case, it's easy to minimize that suffering — or even turn it into an advantage. As Carroll O'Connor, the legendary "Archie Bunker," put it, "A professional actor has a kind of tension. The amateur is thrown by it, but the professional needs it."

Perhaps the best contemporary examole is Lee Jacocca, who saved the Chrysler Corporation by using his enormous talent as a speaker to win the support of the Congress, the While House and the

American people for the biggest corporate bailout in history. Jacocca himself attributes his business success to speaking. In his autobiography, he writes: "I've seen a lot of guys who are smarter than I am and a lot who know more about cars. And yet I've lost them in the smoke. Why? Because I'm tough? No ... You've got to know how to talk to them, plain and simple."

Business is the single biggest rhetorical arena. From simple retail sales spiels to sensitive boardroom presentations, speech keeps the wheels of commerce turning. In making a first impression, Bakshian writes, "Your appearance can raise expectations, but what you say and how you say it will determine how people evaluate you." A good speaker is always in demand. At events from business conventions to weddings, "a good speaker not only adds to the occasion, he also benefits from 'free advertising' that adds to his stature in the community and attracts future business."

Unusual for a book or periodical of any kind, AMERICAN SPEAKER is more of a personal mentor - a do-it-yourself guide designed to save hours or days of preparation time, or, conversely, an enormous hill from a professional speechwriter or "coach."

It's a clever, accessible concept a three-ring binder crammed with hundreds of pages of material on every imaginable aspect of public address: body language, delivering an inspiring eulogy, anhidotes to nervousness, using humor, developing a powerful speaking voice, or engaging the audience in a positive question-and-answer session. Bakshian offers sensible, uplifting advice for every occasion, from the Thanksgiving toast to a defense of your industry before a hostile audience.

Arranged alphabetically, AMERICAN SPEAKER is easy to navigate, highly entertaining and loaded with good ideas. In the calendars section, for instance, Bakshian compiles thousands of speech pegs for every day of the year in three calendars: celebrity birthdays, today in history and the months at a glance. "Every audience gathered to share a common interest or celebrate a specific occasion has a built-in common bond," Bakshian writes. "A

good speaker doesn't just know this; a good speaker takes advantage of it." He demonstrates how a shared reference can warm up the audience, draw a favorable analogy or build a bridge from past to present.

What about actual speeches? They're all over AMERICAN SPEAKER. A section on acceptance speeches includes as an example Winston Churchill's masterful appearance before Parliament in 1954, on the occasion of his 80th birthday. To illustrate the business address, Bakshian quotes nine speeches that used humor and anecdotes to deliver serious messages to several very different audiences. In the education section, Bakshian shows how cartoonist Garry Trudeau hilariously defused the "political correctness" time bomb in speaking to a graduating class at Yale University. And so on.

But bere's what really makes AMERICAN SPEAKER stand out from the crowd of business publications. In addition to the basic 600-page volume, readers also receive timely updates, transcripts of recent, powerful speeches and a free consulting service with Bakshian, to resolve those lastminute speaking challenges. Best of all, the entire package is guaranteed. Review AMERICAN SPEAKER for 30 days. If it doesn't meet your expectations, return it to Georgetown Publishing House for a complete refund.

Few professionals can afford to ignore a promise like that AMERICAN SPEAKER (\$297, including bimonthly updates) is not available in any bookstore. Copies are available only from Georgetown Publishing House.

To order, write to: Georgetown Publishing House, 1101 30th St., NW, Dept. 4RD6, Washington, DC 20007. Or call them at 800-915-0022 -- or, fax 202-337-1512.

### No time to read bumf

From Mrs M. Branston. Sir, Mr Franco Cavallini (Letters, March 25) does not say whether the literature he sent had actually been requested by the recipients. As a secretary in a small engineering company, I often have to deal with arrogant callers who, just because they have sent us literature - in many cases unasked for and therefore reclassified as humf helieve they have a right of immediate access to the MD and, like Mr Cavallini, appear to resent speaking to a mere

secretary. Not much business courtesy there. I am afraid.

With so much literature being sent nowadays it is not surprising that hardly anyone finds the time to write polite thank you letters nor, I think, are these expected. If Mr Cavallini's recipients are really interested in his information, they will no doubt get in touch with him sooner or later.

M. Branston, 29 The Embankment, Bedford MK40 3PE, UK

# Involve Russia in European security plans

From Mr Ian Elliott. Sir, As you say in your editorial "Nato's promises (March 21), Nato may end up with the worst of all worlds. Even so, expanding Nato by one member would create further pressure from new tension with Russia.

compromising vital co-operation in other spheres. Ordinary Russians have felt insecure since the break-up of the Soviet Union and embarrassed by their military incapacity. They could be forgiven for misconstruing

Nato plans. Why encourage their politicians to feed off the

After the cold war, Nato policies were improvised and, seemingly, left to the experts, while politicians from all members have made free with our future. For example, you reported on February 20 (World Trade News: "Slovenia reviews telecoms deal") that Mr Malcolm Rifkind, the foreign secretary, supported Slovenia's aspirations to join Nato and its chances would be boosted by choosing compatible telecoms systems!

It is a complex situation, but there is time to straighten out Nato policy before it is too late. By involving Russia constructively in the underlying problem of security guarantees in central and eastern Europe, Nato's role would become more positive without the risks of expanded

Ian Elliott, Chaseley, Coggers Lane, Hathersage, Sheffield, S30 LAL. UK

# Caribbean involved in free trade area talks

From Mr Anthony Hill. Sir, The Caribbean Community of 14 member states (which includes Antigua and Barbuda; the Bahamas; Barbados: Belize: Dominica: Grenada; Guyana; Jamaica: Montserrat; St Kitts and Nevis; Saint Lucia; St Vincent and the Grenadines: Trinidad and Tobago; and Surinam) is among the regions within the Americas participating actively in the discussions on a free

trade area of the Americas. Your article "Business spurs all-American trade deal' (World Trade News, March 22) is incomplete without mention of this.

There is also a Central American regional trade erounine.

The Caribbean/United States Business Council, which provides a forum for the region's private sector, will be meeting in Kingston, Jamaica.

in April. Caricom, like its partners in the Americas, expects that its private sector will participate and contribute constructively as the free trade area of the Americas unfolds.

Anthony Hill, permanent representative, Permanent Mission of Jamaica. 36 rue de Lausanne.

# COMMENT & ANALYSIS

# FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday March 27 1996

# Mad cows and consumers

The menu of options for dealing with the economic consequences of the UK's outbreak of mad cow disease - or bovine spongiform encephalopathy - consists only of unpalatable items. But there do not seem to be either quick or cheap methods for restoring confidence in British beef: the worldwide bans on exports will not be rescinded; and even mass slaughter is unlikely to restore confidence. The least bad option seems to be rutbless enforcement of announced measures, with a view to eliminating BSE.

ideni

nes a

Ioscou

Lonn4

Water.

מני

l in

anv.

base

oduced

London

mact

at the

Opping

ned by

loss of

veek of

it team

se. Lisbon

nced

court.

az such

Cossiga

in the

rustice in

nce (IGC)

s, are the

Eurogean

population

ng relevant

member

igi 222, 226

77 57158Y

dv

-spending

ast mount.

i ger tegi ompared

France's

d3\. figures are

s instinue.

suggest the

will avoid a

mists said.

ere good

after a 5.0 per

January ne

a decline m

hilippe mornist at L. This is a

ist recession.

187 C. 5 707 Ceff

uary's men

ember.

were that

Reuter Pork

iplus up

int surplus lit

he saule lethod adapted

uary reflected

et transfers.

o a Piala ubs

165n in 1994

hod. Spain ed to a delicit

merchandise

abruary January

on, up 23.5 per

ary and

AFA. Medick

set the

ge about

nch in

ma-le

offen

lt is

શં કર

With hindsight, it is easy to see that the government was too com-placent about the emergence of BSE in the 1980s. This complacency was partly explained by the costs to producers and the government of a more rigorous approach. But it was also explained by the belief that BSE was not linked to Creutzfeldt-Jakob disease (CJD), its human equivalent. Now, bowever, the possibility of such a link has been acknowledged - and the skies have fallen.

Even so, a few facts need to be remembered: identified cases of CJD have been below 55 in the UK in each of the last four years, with only 40 in 1995; the incidence of CJD is in line with international norms; the 10 cases of CJD in young people that may be linked to BSE represent only 0.00002 per cent of the population; the inci-dence of BSE has declined rapidly. from a peak of 36,681 in 1992 to 13,865 in 1995; and, by October 1995, there had been only one case in cattle born in 1993.

These facts are unlikely to assuage either the governments of the rest of the world or consumers, including British ones. The former have nothing to gain from allowing the import of questionable beef, however tiny the question against it may be. The latter bave been understandably sbocked by the admission that BSE might affect humans when they had so often been told this was almost inconceivable.

Unselfable beef

Yet these are bygones. One questibn the government faces now is who will bear the losses of tbe affected industries. The Brilish taxpayer. The European Union does not have the money purchase unsellable beef.

The bigger question, bowever, is whether any exceptional measures, such as mass slaughter. might lower the health risk and/or reduce public disquiet. The options include slaughtering all cattle in the UK, slaughtering all cattle over a certain age or slaugh-tering all cattle in BSE-infected

No guarantee

So far as the health risks are concerned, the extraction of the specified offals ought to eliminate the risk of transmission to bumans. The removal of all mammalian wastes from animal food ought in due course to eliminate BSE. Beyond that, there is no policy guaranteed to ensure the absolute safety of British beef. If all cattle were slaughtered,

their replacements could not be guaranteed safe until enough time had passed to see whether they too developed BSE. This could be longer than the time needed to eliminate the disease from the existing herd. Similarly, killing the older cattle, now recommended by the National Farmers Union, could not guarantee the absence of BSE from younger cattle and killing all cattle in BSE-infected herds would not ensure the absence of BSE from as yet uninfected berds.

The sole method to restore con fidence is to eliminate BSE. Culling - most obviously of the older animals which are most likely to be affected - would be advisable only to the extent that it could help achieve that. But time, along with properly funded enforcement of preventative measures, will be needed to achieve the end of the disease and restore public confidence. Full compensation to farmers for reporting BSE-infected cattle will also be necessary, since otherwise they have an incentive

to conceal cases.

Lessons must be learned about policy toward farming and food safety. Right now, however, the British government has no sensi ble alternative to reassuring consumers, compensating farmers answer, in practice, will be some and eliminating BSE from British mixture of the industry and the cattle as quickly as possible.

# EU static on the line

The European Union had the opportunity this week to demonstrate leadership of the world trade system by committing itself decisively to the success of negotiations to liberalise global telecommunications markets. But, instead of rising to the challenge, the EU allowed internal differences to relegate it to a backseat role at a crucial stage in the talks. Worse still, some of its members appear oblivious to the risk that its stance could jeopardise the chances of reaching an agreement

which is in their own interests. The negotiations, in the World Trade Organisation, are five weeks away from their final deadline. If they sncceed, they will commit as many as 50 countries, accounting for most world telecommunications traffic, to opening their markets to international competition. They will also lead to the adoption of common regulatory principles; designed to ensure market transparency and prohibit

anti-competitive behaviour.

The talks have achieved greater progress than many believed possible when they began last year. The US has offered to open its newly-deregulated telecommunications market fully to international competition. Tha EU has said it is ready to extend to foreign companies many benefits of the liberalisation of its internal telecommunications market in 1998. Some developing countries have alsn tabled surprisingly bold liberalisation proposals.

Not forthcoming

However, these gains will be realised only if other countries notably Canada, Japan, Korea and a number of other Asian economies - offer more liberal concessions. Without such movement, the US has said it will be unable to keep its own offer on the table, a development which would probably cause the talks to collapse. Yet the required concessions are

not forthcoming. The EU's role has become pivotal. its negotiating offer, though generally liberal, still contains restrictions, notably on foreign ownership of telecommunications in five member states. The reservations have been seized on by other countries in the WTO as a pretext for keeping their mar-kets closed. By offering totally free access to its market the EU could nullify such excuses and restore momentum to the negotia-

As much is acknowledged by the European Commission, which has urged member governments to agree to table a more liberal offer. But this week, EU foreign minis ters rejected the Idea. Instead, they opted for a reactive posture, insisting that they would make bigger concessions only if other countries moved first.

Largely worthless

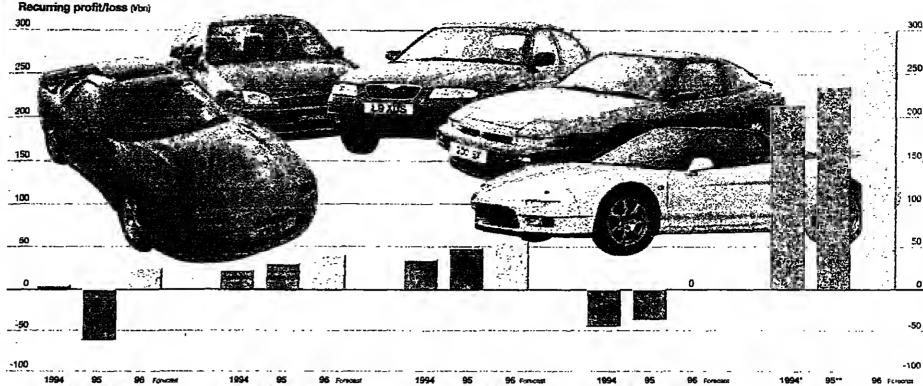
Their response undercuts the EU'a moral authority in the negotlations and its claim to be a staunch proponent of an agreement. If it will not lead by example, why should other, less enthu-siastic, WTO members beed its entreaties to give ground? Furthermore, the ownership restric-tions which the EU is so reluctant to renounce are largely worthless in practice. Any foreign company could legally circumvent most of them after 1998 by establishing a subsidiary in any EU member

The EU needs urgently to re-think its position. It should remind itself what is at stake in the negotiations, and what would be lost if they collapsed. The EU would still be bound to open its telecommunications market after 1998, but no such obligation would apply to other WTO members. The chance of ensuring fair interna-tional competition through enforceable multilateral rules would have been forfeited, creating a strong temptation for countries to resort to bilateral solutions. Furthermore, breakdown of the talks would severely impair the authority of the WTO and cast a shadow over the future world trade agenda.

An EU decision to adopt a more forthright and constructive negotiating stance would not automatically guarantee the success of the talks. But sticking to its present position, or revising it late in the day, would much increase the probability of failure, for which the EU would be widely blamed. On any calculation, that is not a

risk worth taking.

Driving ambition: top five manufacturers chart the road to recovery



# Japan moves into higher gear

Buoyant sales at home and bigger profits abroad have improved prospects for recession-hit carmakers, writes Michiyo Nakamoto

part-time workers will join the production lines at Honvast car manufacturing plant in Suzuka! 350kms

south-west of Tokyo. It is the first time for three years that Japan's fourth largest vehicle maker bas bired seasonal workers and a clear sign that prospects are finally looking up for the country's recession-hit car industry. A period of improved domestic demand has coincided in recent months with a significant weakening of the yen, lifting sales in Japan and profits in overseas markets.

"Our business environment has become mnch more favourable". says Mr Toshiaki Taguchi, a director of Toyota, the largest Japanese vehicle manufacturer.

Increased demand from Japanese consumers became evident last year, resulting in a 5 per cent rise in new car sales over 1994 levels. Spurred by cyclical demand - drivers replacing cars bought in the buoyant period between 1989 and 1991 - this trend is expected to continue, producing increases of 3.6 per cent in 1996 and about 3 per cent in 1997. Though modes! compared with the rapid growth in the 1970s and 1980s, the turnround is very welcome after four years of flat or fall-

The industry has responded by adjusting product strategy to meet the rise in demand, which has been focused on recreational vehicles such as off-road sport utility vehicles and station wagons. Honda will this year bring out four new recreational vehicles: the Orthia, a small station wagon; the F-MX and SM-X, which are small mini-vans; and the Partner, a station wagon designed for commercial users. The increase in sales has been followed by an increase in profitability - the reward for cost-cutting measures implemented during the downturn

and, more recently, as a result of fluctuations and trade disputes. the depreciation in the value of the Domestic manufacturing capacity yen. This has raised the value of earnings in overseas markets when expressed in yen.

Honda expects to increase recurring profits (pre-tax profits before extraordinary gains or losses) by nearly 30 per cent to Y40hn in the year to March, although sales will be 3 per cent lower - mainly because of a decline in exports to the US and Europe. The company has cut costs by 5 per cent a year since 1993. Every Y1 fall in the value of the yen against the dollar adds Yobn to profits, it says.

Mitsublshi Motors, another large carmaker, expects to raise profits by nearly 15 per cent to Y55bn over the same period on flat sales of Y2,700bn.

The impact of cost reductions and the yen's depreciation is even more marked at Toyota which expects to cut costs by Y130bn this year after a reduction of Y150bn in 1994-95. The company's profits for the year to March are forecast to rise by 27 per cent to Y300bn on sales of Y7,800bn. Profits are expected to improve further next year.

According to a recent study by Nikko Research Centre, the private think-tank, the top five Japanese carmakers combined are likely to experience a 64 per cent improvement in recurring profits in the year to March 1997.

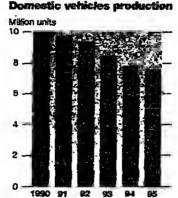
In spite of these positive developments, the Japanese car industry must still overcome some significant obstacles to a full recovery. Chief among them is the low rate of capacity utilisation at manufacturing plants. Annual output in Japan bas fallen by more than 3m units from a peak of 13.5m in 1990 to 10.2m last year, the consequence of subdued demand and a massive shift of production to overseas facilities that was intended to counter the harmful effects of currency

stands at some 14m units, giving an overall utilisation rate of about 70 per cent. Carmakers generally need to maintain capacity utilisation rates of between 80 per cent and 90 per cent to be profitable, according

to Mr Koji Endo, vehicle industry analyst with Lehman Brothers in Tokyo. "That means between two and five factories will have to be closed," be says. ut, in a country where leading companies have traditionally regarded protecting jobs as a

social obligation, this is a prospect the industry bas been reluctant lo face up to. Instead, lt bas sought to counter the decline in capacity utilisation by making substantial reductions in variable "There is no doubt that there is some inefficiency fin capacity utilis-

ation), but variable costs are being reduced drastically and this can cover the overhang in fixed costs," says Mr Yoshihiro Wada, president of Mazda, another large carmaker. Labour costs, for example, are



being cut significantly, both through natural attrition and by transferring employees away from underutilised factories to sales outlets when vacancies arise.

Mitsubishi Motors is aiming to reduce its labour force by 10 per cent in the next four years, Honda is transferring 1,300 manufacturing staff, or 4 per cent of its employees, to dealers.

Leading carmakers are also trying to reduce the development time on new models from an average of four years to, in some cases, as little as 18 months. "This is probably something that only Japanese car-makers can do," says Lehman Brothers' Mr Endo. He points out that the average among carmakers in Europe and North America is between six and seven years.

Nevertbeless, domestic produc-tion is expected to decline further. Sometime in the next few years, car production in Japan is expected to fall to less than 10m units for the first time in 17 years. If it does, pressure to close factories will rise still further. Another preoccupation for Japa-

nese manufacturers in years ahead will be bow to make the most of their expanding portfolio of overseas plants. By 1998, Toyota will be producing 376,000 more vehicles in North America than the 824,000 it did last year. Honda, which made 659.000 vehicles in North America in 1995, will have the capacity to produce 181,000 more cars in two

Japanese companies are also expanding fast in Europe. By 1998. Toyota will more than double its output there to 200,000 vehicles. Honda plans to raise European production from 110,000 units this year to 150,000 by 2000. in south-east Asia, Japanese com-

panies already bave a market share of approximately 70 per cent and are expanding production aggres-

sively. Toyota will have the capacity to build 200,000 more vehicles in the Asia-Pacific region outside Japan by 1998. Honda is setting up a new manufacturing plant in Thailand. It plans to raise production in the region from 100,000 last year to 150,000 in 1996.

bicreasing capacity overseas is seen as vital for Japanese manufacturers, both to lower costs and to expand market share outside Japan. bence compensating for the slow growth expected in coming years in the domestic market.

Particularly in North America.
Japanese companies are boping to use the extra capacity to make a blgger impact in some poteotially lucrative product areas io which they bave not been particularly suc-

Toyota, for example, plans to manufacture a pick-up truck in Indiana as part of a renewed drive to raise its profile in the fastrowing US truck market. Hooda is to manufacture a new minivan in Canada and a luxury car in the US.

The frenetic pace of this international expansion reflects a recognition by leading Japanese carmakers that they must put their global strategies in place while market conditions are relatively favourable. The next three years will determine the winners and losers," says Mr Takaki Nakanishi, a Tokyobased analyst with Merrill Lynch.

But, as they consolidate their dominance in south-east Asia - the only region in which car sales are expected to show strong growth over the next few years - and prepare to attack new markets in the US and Europe, Japanese carmakers have reason to feel more comfortable about future prospects than for some years.

"This is not a complete recovery." says Toyota's Mr Taguchi, "But we are confideot we are stronger now and better able to compete."

# BSERVER

# Uneasy lies the head

E Stabborness pays off Eight decades after losing the Austro-Hungarian imperial crown, the Habsburgs have got the go-shead to stage a family reunion at their former palatial residence

Austria's cabinet yesterday waived the ban on entry for the clan's two remaining members who had not formally renounced their claims to the crown. Felix Habsburg Lothringen, 79, and his brother Carl-Ludwig, 77, will now be allowed to travel legally to Austria, using the Austrian passports they kept since childhood. All other family members have

already renounced their claims, including older brother Otto, a member of the European parliament on behalf of Bavaria. His son Karl is beavering away in Austrian politics. Felix and Carl-Ludwig have no such ambitions: they simply want to extinguish the rump of the 1919 Habsburg laws, which expropriated the family's vast property and exiled its members.

Two weeks ago, Felix, who also holds Belgian citizenship, made a surprise appearance at a Viennese press conference, where he waved his Austrian passport bearing the entry ban. He claimed that Austria lost its right to ban any EU citizen, including its own, when it joined the European Union in 1995. This threw constitutional experts

into crisis, but the government came up with a neat solution roling that Felix and Carl-Ludwig had already renounced all their claims by promising to respect the republic.

# Kif and skittles

■ You would think that the four-year Islamic insurgency that has claimed more than 40,000 lives was enough for Algeria's government to worry about. But no. This week, Mustapha Berraf, a former star basketball player and the new chief of Algeria's Olympic committee, was detained for "diversion and dissipation of public

funds". Word of the scandal has raised questions in Algiers about the possible impact of the affair nn the country's participation in this summer's Olympic Games in Atlanta. Algeria is no powerhouse in world sport. Yet it boasts two of the world's top middle-distance runners. Nourredine Morceli and Hassiba Boulmerka, both of them leading contenders for an Olympic medal.

But Berraf isn't suffering alone. In the past few days several dozen directors of public enterprises have been arrested on similar charges, as President Liamine Zeronal's government steps up an anti-corruption campaign.

At this rate, Algeria will soon be hard pressed to field a skittles team, let alone mount an Olympic

### Drying up ■ Jochen Neynaber, managing

partner of the German bank Schröder Munchmeyer Hengst & Co, and lover of ancient artifacts, has a sense of humour. Yes, that's right, a German banker who enjoys a joke. Yesterday he gave a talk at a

capital markets and investment conference in Frankfurt, where he did his best to rally the troops behind Emu, and scotch thoughts that a little bit of inflation might be good for us all: "A little bit of inflation is like wetting your pants. It feels good at the start but the consequences are miserable."

# I'm a belonger

■ ADT's Michael Ashcroft, the former enfant terrible of the City of London, is on the move again. Observer hears that the Turks & Caicos Islands (pop 14,000), have granted Ashcroft "belonger" status. This is akin to citizenship and means that Ashcroft, a former big supporter of Britain's Tory party, can vote and run for office.

Ashcroft, who shot in fame in the 1980s with complex deals that the City didn't understand, has lived offshore for several years.

Although best known as chairman and chief executive of ADT, one of the world's biggest burglar alarm companies, he has also built up a Caribbean business empire centered on Belize

BHI, which is quoted on the Nasdag stock market, owns the largest bank in Belize and has substantial interests in telecommunications, electricity and food production. Ashcroft travels the world as "Ambassador Extraordinary and Plenipotentiary of Belize and Itinerant Ambassador to the European Economic Community", whatever that

However, times - and governments - change. When Manuel Esquivel, Belize's current prime minister, was in opposition be was critical of Ashcroft's bucreasing dominance of the local economy. This might explain Ashcroft's current interest in belonging to the Turks & Caicos islands where he already owns a rice mill and is developing an upmarket holiday resort.

### Out for the count

Eddie George, the governor of the Bank of England, likes to poke fun at his old profession. At the recent annual dinner of the UK's Finance & Leasing Association he reminded the audience that there were three types of economist. Those who can add up and those Who cap't.

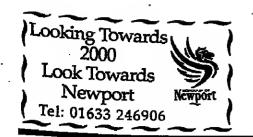
# Financial Times

### 100 years ago Indian finance

Calcutta: Speaking during the debate on the Budget in the Legislative Council, Sir J. Westland said that additional evidence supporting the government proposals was furnished by the fact that the gross circulation of currency notes had decreased while the net circulation had increased. The only objection was that the exchange value of the rupee might be affected, but the Government would be going beyond its duty if it allowed itself to be influenced with regard to the matter by such considerations. General Sir H. Brakenbury made a long speech, in which he showed bow immensely military matters had improved in India during the last five years. Everything was at present on a most satisfactory basis, and prepared for war.

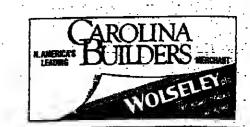
### 50 years ago Investment in India

While the indian Government and railway sterling debt have been almost eliminated during the war, a considerable British commercial interest remains. Its value to the United Kingdom is great. During the Washington loan negotiations it was revealed that, in 1945. Britain expected to receive £11,000,000 of interest and dividends from india, Burma and the Middle East.



# FINANCIAL TIMES

Wednesday March 27 1996



EU anger over UK food crisis set to dominate Turin talks

# Beef ban likely to blight summit

By John Kampfner in London and Lionel Barber in Brussels

The planned European Union ban on British beef threatens to dash hopes of a harmonious opening on Friday of the intergovernmental conference, with heads of government preparing for acrimonious exchanges with Mr John Major, the UK prime minister.

MPs and EU officials said the BSE furore was likely to dominate the ceremonies in Turin that will mark the start of months of negotiations reviewing

the Maastricht treaty.

The British government last night appeared to he moving towards a selective cull of cattle. This would force the commission to review its worldwide ban on

Ms Emma Bonino, EU consumer policy commissioner,

scale cull might not suffice. "In order to prevent confusion and panic, we should tell people that science is not a great belp - we are facing a new situation." However, she said the commission wanted to demonstrate "solidarity" and would "do its best to try

and be belpful".

For many members of the UK's ruling Conservative party, aware of the desperate political and economic implications of the crisis, the need for compensation over-rides all political considerations.

"We want the prime minister to spell out to others just how angry we feel about the way the Europeans have behaved, but it might not be the best way of get-ting some money back," said Mr David Harris, MP for St Ives and a moderate pro-European. Several Tories, and not just of Friday will involve set-piece

member states were punishing Britain for its often intransigent opposition to many of the more federalist initiatives of recent

The European Commission and several EU countries, notably Germany, are furious about the UK's failure to forewarn them about last week's admission that there could be a link between BSE and Creutzfeldt-Jacob disease, the human brain condition. in its general approach to the IGC, the UK government has left itself little room for compromise. It is virtually isolated in its opposition to more majority voting, its objections to the role of the

European Court of Justice and its

refusal to incorporate the social

chapter on employment rights

into the new treaty. While much

certain to be raised at a lunch at which leaders will be able to discuss issues of special interest. Mr Jacques Santer, commission president, had planned to use

that session to make a pitch for "confidence pact" which involves an extra Eculbn (\$1.25bn) spending on showpiece trans-European networks.

His plan was based on an unexpected windfall in the EU farm budget where the switchover from price supports to direct income payments was expected to generate between Ecu4bn and Ecu5bn in savings between 1997 and 1999. These savings, which are not expected to be available until 1998, would be dwarfed by the costs of an EU rescue pack age for the British beef industry.

Lean agenda for IGC, Page 2

# New satellite TV network set for Asia

Thai media tycoon to offer 500 subscription channels after \$480m deal

By Ted Bardacke in Bangkok

Mr Sondhi Limthongkul, a Thai media tycoon, yesterday signed contracts worth \$480m to build and launch two satellites which will form the backbone of a pan-Asian satellite TV network.

Asia Broadcasting and Communications Network (ABCN), controlled by Mr Sondhi's M Group. said it planned to build "a new multimedia information superhighway for Asia in the sky".

The satellites will be able to broadcast 500 pay-TV channels direct to every subscriber in a market covering south-east Asia, ethnic Chinese communities and the indian subcontinent.

Within three years of its late-1997 launch, the company hopes

German sales

fall because

of Internet

to have between 3m and 5m subscribers. They will have to buy a small satellite dish and probably pay a monthly fee.

The satellites will have communications as well as broadcasting capability. Some of this capacity will be taken up by M Group's other pub-lisbing and data ventures – which include the newly

launched regional business newspaper, Asia Times, Mr Sondhi said: "Our plan is to be the first Asian corporation to provide a fully integrated multimedia network, providing broadcasting, newspaper publishing and digital data communications

services to this rapidly develop-ing part of the world."

L-Star satellites, and Frencb Arianespace rockets will put L-Star 1 is to be launched in

December next year, and L-Star 2

is expected to be in orbit by the

They will operate in an orbital slot granted to Laos, which has in turn given a 30-year concession to Lao-Star, a company held 80 per cent by ABCN and 20 per cent by the Laotian government, ABCN said it bad linked up with Echostar Communications

develop programming.

In the past, Mr Sondhi, the son of Chinese immigrants to Thailand, has said he envisages link-ing up with a television broadcountries served by the satellite system to create a pan-Asian

M Group's financial structure

is a maze, with several of the group's companies leveraged against each other, analysts say. Some analysts have questioned Mr Sondhi's ability to finance the project, given two consecutive years of losses at Manager Media Group, the publishing arm, huge start-up costs at Asia Times, and a projected saturation of the satellite market in Asia by 2000.

But M Group executives expect Loral Space & Communications to take an equity stake in ABCN, of the US and Itochu of Japan to which is also looking towards a share flotation or debt issue in

# China presses for allegiance from Hong Kong officials

Continued from Page 1

echoed this week by the Munichtute. Its latest monthly report found the economy had worsened further in February and discovered growing pessimism about exports among industrialists in

western Germany. Mr Fuchs said the fall in Germany's share of world trade was not a result of poor quality but of high costs and prices. He said the government must cut the costs of Germany's generous welfare sys-tem. Germany needed a reduc-tion of between 20 per cent and 30 per cent in non-wage labour costs to stay internationally com-

petitive, he said. Germany's export performance was also suffering from short working hours. In a three-year period, a Japanese worker would work an extra year compared with his German colleague.

**Europe today** 

A frontal zone bordering on very cold air from

widespread high over ireland will cause light frost in the North Sea countries with afternoon temperatures around 5C during sunny periods

Southern Germany will have snow and rain. The Spanish Basque provinces to La Coruna will have showers but southern Spain and southern

Portugal will have sunny periods. An active low will move to the Adnatic, causing unslable and rather damp conditions in the surrounding

regions. Italy will be mostly cloudy with rain or thunder showers in the south. The western Balkans will be mild with rain. Later, the

mountains, including the Carpathians, will have

will produce snow. Central Europe will become colder with fresh snow near tha Czech Republic. An unstabla north-westerly flow with rain or half showers will remain over tha North

Sea countries. A persistent high will influence

Much of Europe will have below average

the north will bring rain to southern France and snow to the Alps and Pyrenees. The Benelux, England and Ireland will have bright spells. A

handover to China will he required to support a controver-sial provisional legislature, a Chinese official said yesterday.

The statement by Mr Chen Ziying, deputy director of the Hong Kong and Macao Affairs Office, will fuel concerns arising from Beijing's decision to abolish the existing Legislative Council (LegCo) and highlights the pressures facing the civil service ahead of the transfer of sover-

China's move to replace LegCo. confirmed last Sunday, has also prompted a dispute over the budget for 1997-98.

Chinese officials argue that since the budget straddles the handover and since most of the period will fall under Chinese sovereignty, it cannot simply be

By John Ridding in Hong Kong approved by the existing LegCo.
However, Mr Donald Tsang,
Hong Kong's top government officials serving after next year's yesterday upheld the role of the provisional legislature.
But the proposal drew strong criticism from democratic politicisms serving after next year's yesterday upheld the role of the provisional legislature. LegCo in the budget process.

While he emphasised that the Hong Kong government would seek a "full consensus" with China on the budget for 1997-98 he pointed to the "clear and explicit legal requirements" for approval of the annual budget. Our intention is quite clearly that we would submit a budget to the Legislative Council for approval in the usual way."

Pro-Beljing politicians in Hong Kong said it was natural that civil servants should recognise the provisional legislature, which is due to replace the existing

They added that Mr Chen had not said civil servants should make a public commitment to the body, nor that existing officials should make clear their stance

vants] on the one hand serve the Hong Kong government and not follow the policy of the Hong Kong government " Cbeung Man-kwong, a Demo-

Mr Chris Patten, the Hong Kong governor, has fiercely opposed the abolition of LegCo, an issue which has remained a focus of disagreement hetween China and Britain.

Sunday's decision by the Bei-jing-appointed Preparatory Committee to replace LegCo has also drawn criticism from the US which said China must honour its commitment to Hong Kong's

autonomy. Mrs Anson Chan, head of the civil service, urged China not to do anything that would harm the morale of civil servants.

# elected body.

# **FT WEATHER GUIDE**

Ireland and the western UK.

**Five-day forecast** 

We can't change the weather. But we can always take you where you want to go. Lufthansa

# THE LEX COLUMN

# Spring cleaning

lapan's banks are engaging in curious form of corporate machismo seeing who can announce the largest losses. After yesterday's downbeat warnings from 10 commercial and trust banks, it looks as if 17 of the 21 leading banks will finish the current financial year in the red. Between them, they have forecast an eye-popping Y3,300km of losses after writing off around Y7,000km of bad debis. in fact, the banks will probably end

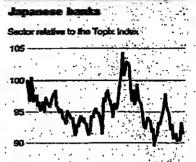
up in better stage as a result. For a start, the bigger these losses, the sharper next year's recovery. Some, like Asahi Bank, have provided for up to 75 per cent of all problem loans And most will get tax breaks for writing off their exposure to the jusen -Japan's bankrupt boosing loan companies - which the government is des-perate to liquidate. Moreover, the shock of the losses is galvanising the banks into meaningful cost reductions, an area where they have lagged behind western rivals. Almost all are now proposing staff cuts of up to 16 per cent, a salary freeze and an end to directors' bonuses. Toyo Trust has even put its company durationies up

for sale to boost its return on assets. The danger is the red ink will further weaken thin capital ratios. But most banks are still managing to offset part of their losses with capital gains on share sales and, with cleaner balance sheets, rights issues no longer look impossible. And for foreign investors, the fact that the banks are at last tackling their bad debt problems is a vital step in restoring confidence in Japan's financial institutions.

### Wallenberg family

The flotation of Scania and the recent acquisition of Gambro repre-sent dramatic rumblings within Swe-den's ultra-conservative Wallenberg empire. The family has long been content with just sticking its fingers into the bulk of Sweden's corporate pies. from Saab and SCA to Ericsson and Electrolux. But these latest deals represent a belated push towards the more modern concept of shareholder value by the family's listed holding companies Investor and Incentive.

Incentive's management zims to transform it from a jumble of secondgrade companies into a thrusting growth husiness. A shift from welding to medical technology has helped re-rate the shares, with the discount to estimated net asset value narrowing to 16 per cent. Meanwhile, the push to crystallise a value for Scania has prompted a similar rise in the share price of incentive's parent company, investor, although its discount to net



asset value remains at 29 per cent. With a new generation of Wallenbergs, Jacob and Marcus, preparing to take control, there is an opportunity to do much more to boost valuations. Incentive remains weighed down by pessive stakes in Asea and Electrolux, which grates with its newly-projected image as a high-tech stock. Meanwhile, Investor's aims of shedding its reliance on mature or cyclical businesses will be impossible to achieve while the group retains stakes in Saab and SCA. The reason for investor's large discount to net asset value is the assumption that it is run primarily to protect the power base of the Wallenbergs rather than to enrich shareholders. Until the management can achieve yet more fundamental change, an unhealthy discount will remain.

### P&O

P&O's plans for change are a text-book example of both the strengths and weaknesses of corporate governance in the UK. Following a sustained period of share price under-performance, P&O has had little choice but to come up with a clear strategy: an explicit return on capital target, together with the proposed disching of a couple of underperform-ing husinesses and 5500m worth of property. That deserves a modest cheer. But the fact that the company has taken so king to come up with such a relatively modest package is a sobering thought for those who think Britain's big institutional shareholders wield too much power.

P&O's new overall 15 per cent return on capital target is a case in point. For shareholders, it is excellent news that the company is starting to speak this language. Less good is the at least - the target has precious little chance of being met.

Selling off Bovis Homes and pulling out of oulk shipping should help a bit. But what P&O is really doing is rais ing cash to feed its capital spending habit - still a bill of £570m in each of the next two years, more than this year's operating cash flow. And the main capital-consumptive areas of the business remain in place. In parts such as cruise shipping, P&O is proba bly spending the money wisely. In others - especially container shipping - it is, in effect, making a big gamble on

market conditions improving. To invest in a conglomerate like P&O is to put one's faith in its ability to direct capital wisely. Yesterday's measures can only help but have too much of an air of expediency.

### South West Water

Much has been made of the absurd situation being played out in the south-west of the UK. Two water companies, Wessex Water and Severn Trent, are competing to snap up South West Water; each bidder is queering the other's pitch. Even if they were alone, neither bid would make all that much sense; in both cases, a share buy-back could well be more earningsenhancing and less risky.

Almost as odd, though, is the ebsence of the bid which really could stack up - one from the local regional electricity company, Sweb. Such a hid would have powerful advantages Unlike one from a water company, it would not be subject to compulsory referral to the Monopolies and Mergers Commission. Moreover there are good reasons why Sweb's US parent Southern Electric International, might be willing to pay more than a water company. For one thing, the water regulator should he more relaxed about a multi-utility merger, a Sweb hid ought not to be hobbled by an obligation to share cost savings with customers. For another, because Sweb's and SWW's businesses substantially overlap, the scope for taking out costs - from joint hilling and metering - would be much greater than where two different water companies are merged. Sweb is no stranger to such multi-utility logic; it is already aggressively marketing gas to its domestic customers. So far, Sweh and Southern have pooh-poohed the idea of a hid. Perhaps they should think again. Certainly, if SWW is looking for a US white knight its first port of call should be on its own doorstep.

Additional Lex comment



# ŽIVNOSTENSKÁ BANKA

Established 1868

Živnostenská banka, the Czech bank with more than 70 years of tradition in the City of London, is pleased to welcome Her Majesty The Queen and His Royal Highness The Duke of Edinburgh on the occasion of their State Visit to the Czech Republic.

# We serve British - Czech business relations.

### Head Office

Na Příkopě 20, 113 80 Praha 1, Czech Republic Tel: 00422/2412 1111, Fax: 00422/2412 5555

# **London Branch**

18 King William Street, London EC4N 7BY Tel: +44 (0) 171 283 3333, Fax: +44 (0) 171 522 0512



# **FINANCIAL TIMES COMPANIES & MARKETS**

Wednesday March 27 1996 **OTHE FINANCIAL TIMES LIMITED 1996** 

Fletcher King COMMERCIAL PROPERTY CONSULTANTS 0171-493 8400 HOWRON RETERNAM MANCHESTER NORWALE NORTHAMPTON

**BASF** 

expects

profits to

stagnate

rise has precious in the state of the capital special special

samptive areas of the samptive areas of the place. In part appring, P&O is put another wisely in the samptive areas are a samptive areas of the samptive areas of the

container snipply

is improving.

a congregation

ily help out hat

f expectancy.

i Water

as a faith to its about

Wisely. Yesten

made of the ares

played out in a CK. Two water ne

Water and Seve

and to sump of Soc

h bidder is querie Even if they are

would make all the

both cases, a size

d. though, is the d waich really make and regions.

y, Sweb Succesti

Werfu! advantage

a water company, 1

onophies and Mar-

Moreover there as

Sweds US parent

intermational met

The case of the

e thing the way

le more related

ity Therear 1 Sad

he habited by a

e cunt savings and

amother, became

"s husinesses mb

the scope for taking

Join: billing and

on which want

ferens water rome

Neb is no scarge

🔻 विद्यार में १६ धीरकी

Retung gos to its s. So far. Swet and

a poutre de de de d

her should think SWW to regarder

ताह रिक्टा हुएता में ख्या NG ANDTHO

ional Lex commen

unk

ion

eir

pject to compoke

SS TISKY

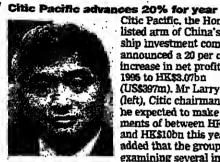
# Thomson-CSF back in black at FFr1bn

Thomson-CSF, the professional electronics arm of France's Thomson group which is to be privatised later this year, returned to the black in 1995. rebounding to a FFr1.01bn (\$199m) net profit from a FFr962m loss in 1994. This was despite a 2.4 per cent drop in sales to FFr35.5bn. Page 16

Argentaria head upbeat on share issue The \$1.1hn secondary share issue by the Spanish state of a 25 per cent stake in Argentaria, the Spanish bank, was hailed as a success hy its chairman Mr Francisco Luzon but greeted with caution by analysts after Argentaria cut the international tranche, allocating an additional 2m shares to the retail domestic issue. Page 17

RVI rebound gathers speed RVI, the truck and bus division of France's statecontrolled Renault vehicles group, accelerated its slow financial recovery by more than doubling 1995 net profits to FF1712m (\$140m) from FFr343m in

1994. Page 17



Citic Pacific, the Hong Kong-listed arm of China's flagship investment company, announced a 20 per cent increase in net profits for 1995 to HK\$3.07bn

(US\$397m). Mr Larry Yung (left), Citic chairman, said he expected to make investments of between HK\$8bn and HK\$10bn this year and added that the group was . examining several infra-

structure projects. Page 18

Newmont Gold of the US has selected the Sumitomo group of Jepan to be its partner in the Batu Hijau project in Indonesia, which they will develop into one of the world's higgest copper-gold mines at a cost of \$1.5bn. Page 19 Cellular growth helps 18% rise at Telebrás

Growth in cellular services helped drive an 18 per cent increase in consolidated 1995 net profits to R\$809.5m (US\$819.5m) at Telebrás, Brazil's statecontrolled telecommunications company. Page 19 Hamleys sets its sights overseas

Hamleys, the UK toy retailer, announced a 13 per cent rise in pre-tax profits and unveiled plans to open replicas abroad of its famous store in Regent Street, London. Page 20

Mining groups face Idaho damage claims US authorities have lodged claims against Coeur d'Alene Mines, Asarco, Hecla Mining and Sunshine Mining, seeking hundreds of millions of dollars for alleged environmental damage caused in the Coeur d'Alene silver mining district of Idaho between 1850 and 1965. Page 21

Lioyd Thompson Lioyds TSB Mack Trucks Marks and Spancer

A Companies in this issue

Amcor Arbed Argentaria Banco Ambrosiano Banco di Napoli CBA CESP Cariplo Cedar Charter

Meggitt Merck NITT National Bank Greece Newmont Gold Nippon Cargo Airline Océ-van der Grinten PSO Simon Property Group Singapore Land Sistemaire South West Water FLS Inchestries Hallfax Building Soc lenderson Land Dev

Market Statistics SAnguel reports service Bond tutures and options Bond prices and yields Commodities prices Dividends armounced, UK Eurobond prices Fixed interest indices FT/S&P-A World Indices

FT-SE Actuaries Indices Foreign exchange Gills prices Menaged funds service Money markets New Intl bond issues Bourses Short-term int rates

Chief price changes yesterday

Rome sets Banco di Napoli sale terms

The Italian government said last night it wanted to begin privatising Banco di Napoli, the troubled Neapolitan bank, before the end of next year, but only if other hanks agree to back a rescue

Ministers yesterday egreed a decree which will allow the Treasury to underwrite "one or more capital increases" at Banco di Nepoli, together with other banks or institutional investors, with the aim of "cleaning up, restructuring and privatising"

group of Italian banks agreed at the end of November to grant Banco di Napoli a record L2,500bn (\$1.6bn) emergency loan to solve its short-term cash prob-

It was not clear from the government's statement last night which of the 11 banks involved in the emergency loan bad indicated their readiness to deepen their exposure to Banco di Napoli. Shares in Italian hanks - including some not involved in the original loan - fell yesterday as traders speculated about the impact on the sector.

take immediate action by transforming the treasury's share of the emergency loan - L1,000bn provided by the post office savings bank - into a subordinated loan.

ital increases, the government said it would need to see evidence of progress on restructur-ing, a union agreement on reducing labour costs, and "the availability of one or more banks to intervene financially in the clean-up operation".

and other investors could finance

preferred shares, convertible into shares.

and on Friday to discuss the 1995 results, which will show another large loss. For 1994, the bank reported a loss of L1.100hn, and a L1,560hn loss in the first half of last year, as it tried to clean up its loan portfolio.

highly sensitive political and financial issue, as Banco di Napoli is not only one of Italy's largest and oldest financial instituical patronage in the poor southern half of the country. Last month, the bank activated the second phase of restructuring

ence over the bank.

# BASF, the German chemicals

company, yesterday admitted it expected zero profits growth this financial year, but said it was considering acquisitions as a way of using a mounting cash pile which now stands at DM3.4hn (\$2.5bn).

Mr Jürgen Strube, chairman, said the economy bad lost momentum in the second half of 1995 and the start of 1996. He warned that profits were likely to remain static at last year's level, but would produce a return on assets comfortably above 10 per

Pre-tax profits in 1995 rose 95.5 per cent to DM4.1bn, on sales up per rent at DM49.4bn. Most of this growth came in the first half, when prices and demand were strong. A slowdown last summer had since led to "substantial price concessions", said Mr

The effect of this cycle had been smoothed out over the year, with most of the DM1.1bn in exreptional charges for restructuring, the integration of Boots of the UK's drugs business and a write-down of assets in Mexico after the peso devaluation - taken in the first half.

Between DM120m and DM130m had been written off in goodwill on the acquisition from Boots.

The majority of the DM430m in exreptional gains from the reimbursement of water rates and adjustments to provisions was taken in the fourth quarter. However, at the operational level, demand had remained weak in the first quarter, as had prices.

The group expected some price rises in the next few weeks. It also expected improved earnings in oil and gas and pharmaceuti-

was also unlikely to be repeated: currency movements cut sales last year by DM23bn in D-Mark terms.

The sharpest profit growth in

1995 came in the plastics and fibres business, where operating income rose to DM1.4bn from

strong performance, with operating income of DM2.1hn, up from DM1.1hn.

The group plans to increase investment by 6 per cent to DM3.2hn this year.

But before backing further cap-

The government said banks

through subordinated loans, or the subscription to sevings or The bank's board meets today

The rescue of the bank is a

by putting 50 hranches in the north up for sale and closing 20 in its southern heartland. The temporary solution of con-

verning the treasury loan into a subordinated loan reduces the risk of the bank's future becoming an electoral issue. The rightwing National Alliance is one of the parties jockeying for influ-Banca di Roma donbles profits,

# UK transport and property group attempts to restore confidence through sales

# P&O to dispose £1bn of assets

By Geoff Dyer in London

P&O, the UK transport, property and construction group, yester-day unveiled a £1bn (\$1.53bn) dis-posal programme over the next three years in an attempt to restore confidence in the group. The proposed asset sales, which include the flotation next year of Bovis Homes, prompted

shares in P&O to close up 8p at 522p, after reaching 541p at one stage. However, the news received only a guarded welcome The disposal announcement

was made as P&O recorded pre-tax profits in 1995 of £320.4m, an 8 per cent drop from the previous year's £349.5m, but slightly ahead of analysts' forecasts. The disposal programme follows a period of disillusionment

in the City of London about P&O:

Its shares were the worst per-

By Hugh Carnegy in Stockholm,

Tele Danmark, the Danish

telecoms operator, and a partner-

ship between Sweden's Telia and

KPN of the Netherlands emerged

yesterday as the only hidders in

preliminary tenders for a 35 per

cent stake in Telecom Eireann,

the state-owned Irisb telecoms

company.

However, the prices offered are believed to be below Irish gov-

and John Murray Brown



P&O Craises lifted profits to £110.7m from £100.1m, helped by the Oriana (above), the luxury cruise liner launched in April

forming in the FT-SE 100 last year. The group's ability to maintain its dividend, while continuing to invest heavily in new ships has been questioned.

However the company yesterday announced an unchanged full year dividend of 30.5p. As well as selling Bovis Homes, which analysts think will raise more than £300m, P&O plans to

reduce its £200m investment in

its bulk shipping fleet, which

could involve a joint venture

The government had been hop-

ing to raise between 1£400m and 1£500m (\$632m-\$790m) for the

privatisation offering. Although

the hidders refused to comment,

it appeared their offers did not

The Irisb government, which is being advised by Morgan Stan-ley, the US bank, has been critic-

ised by opposition parties for

exceed \$450m.

with another operator.

Lord Sterling of Plaistow, chairman, said the group would sell at least £500m of property by the end of 1998. Asset sales of £200m had already been agreed this year, around £100m of which were property.

He added that the group had

decided to disclose its disposal plans because of concerns raised hy investors. He said other divisions, including container shipping, would be sold if they did not achieve acceptable returns. Analysts said the disposals

Telecom Eireann sell-off attracts two bids

pulled out of the race.

A senior executive of one of

the hidders said the absence of

US companies from the hidding

and the prospect of huge tele-

coms privatisation issues later

this year and next year in Ger-

many and Italy appeared to bave

damped prices after a period in

which telecoms issues bave usu-

"It could be this is the first

ally exceeded expectations.

some of its remaining businesses. One analyst said: "These disposals are a sbort-term solution. In stage two they will have to improve their returns." Another added: "This is the start of the sort of things we would like to see the group doing but the logical next step would be to sell

ernment expectations, indicating mishandling the sale after Brit- indication that the premiums we the market for telecoms invest- ish Telecommunications, Cable have seen paid in telecoms privately. Tele Danmark bas sought for

said.

group

人が自然的なないとは、「一般などのないない」という。

7

Bovis Homes, which P&O acquired in 1974, is one of the 10 Lex, Page 14

Tele Danmark, partially priva-tised in 1994, confirmed it had made a non-hinding hid for the

Telecom Eireann stake, It would

not say whether it would, if pre-

qualified by the lrish govern-

ment, make a hinding bid, and if

so, whether it would do so alone

or in partnership with another

Telia confirmed its hid with

would take the immediate pres-

sure off the group, but did not address the low profitability of

sold around 2,000 bomes last year, Lord Sterling sald flotation had been preferred over a trade sale becouse the group would receive a premium for the brand Sir Bruce MacPhall, managing

largest UK housebuilders and

director, said the proceeds from the disposals would finance the group's capitel expenditure which is expected to be around £570m in each of the next two

Tele Danmark bas sought for-

years, it is a member of a consor-

tium with the US's Ameritec and

Singapore Telecom which acquired 6 49 per cent stake in

Belgium's Belgacom in Decem-

ber. Il is also involved in a joint

venture in Sweden with BT and

Telenor of Norway. Telia has

also sought overseas expansion

amid severe competition in the

医多角性 医肾上腺 医肾髓 医阴影 医骨髓 医髓

deregulated Swedish market.

OTE offer welcomed, Page 16

The effect of the weak D-Mark

However the group's most price sensitive businesses, chemi-

Chemicals also delivered a

# **Barry Riley**

# From mad Dow damage to mad cow bonds



a bumper year for UK pension fund managers give the sppearance of get-ting ready for tougher times.

selling equities and edding bonds and cash. But the investment judgments may be supplemented by naw prudential consider-

According to World Markets, which measures performance, the weighted average return was 19.1 fund's return was 20.0 per cent, a gap which can be attributed to the high weighting (7 per cent) of poorly-performing property in the higgest 50 funds.

According to government sta-tistics released this week, pension funds sold nearly £7bn (\$10.6bn) of UK equities during 1995 and in fact have not been significant buyers of this asset class since 1991. At the same time, purchases of gilt-edged honds were just over £7bn in 1995, and holdings have doubled since the heginning of 1992 (although this still takes UK bonds only to about 6 per cent of portfolios).

Why has strategy shifted like this? After all, UK equities have continued to perform well, returning a handsome 23.8 per cent last year and 16.7 per cent annualised over the past five years compared with 13.7 per cent on gilts on the same basis. But total equity exposure, including overseas holdings, has drifted down from 80 per cent to 76 per Let's look first at the purely

investment-related reasons for

this. To start with, although stocks continue to outperform bonds in the UK, the equity risk premium has declined to about 3 per cent. in the 1980s it was more like 8 per cent. Balancing the funds has become less costly. Secondly, overseas equities

have lost some of their appeal. The overseas equity return was about 15 per cent in 1995, lagging well behind the UK result. True, this was largely a self-inflicted wound because of underexposure to Wall Street, a decision which

Right now, the UK managers are unrepentant about their 1995 mistake on Wall Street

cut the average overseas equity return by about 5 percentage In fact, the median return of

14.6 per cent was well under the weighted average of 15.7, a gap which mainly reflects the slightly higher exposure of the higgest funds to the juicy 35 per cent return in North America. in looking overseas, UK fund

managers are chasing four basic opportunities: in the US, Japan, continental Europe and the Pacific basin (excluding Japan). These exposures are in no way weighted to relative market capitalisations, so that at present the funds have more in the Pacific basin than in the US. It is an epproach that the Americans. who are obsessed with capitalisation weightings, find mystifying.

Right now, the UK managers are unrepentant about their 1995 mistake on Wall Street - one of timing rather than valoe judg ment, they still think - and they dn not intend to plunge in now. Japan and the Pacific are viewed positively but apparently not enough so to merit extra expo-

We must add in. however, the domestic political factors. Fund managers are wary about the potential impact of a Labour government on UK equity prices, especially in terms of dividend prospects and the future level of takeover activity. In the context of the global market place, a 55 per cent exposure to UK equities is looking unduly risky.

As for prudential factors, the various provisions of the 1995 Pensions Act are being implemented. UK pension schemes are becoming progressively more mature, with shortening liabilities and therefore a decreasing tolerance of investment risk. The new Minimum Funding Requirement will eventually (hut not, fully, until 2002) increase the vulnerability to market risk.

These are all reasons for the collective decision by pension funds to divert about £11bn (over 2 per cent of portfolios) into gilts and cash last year. So far, it seems, investment caution has dominated, and the top-down orders from trustees to raise bond weightings may be yet to come - none too soon for a hardpressed UK government preparing to issue "mad cow" bonds.

Meanwhile, 1996's first quarter has lost its early promise and the funds may be lucky to earn a three-monthly return of 2 per cent by Friday night. Cash is no

# **FENNER PLC**

Private Placement of US \$50,000,000

6.60% Senior Unsecured Notes due 2006

> Arranged and placed by NatWest Markets



# JAPAN AIR LINES COMPANY, LTD.

Nippoz Keku Kabushiki Kaisha) (the "Company") U.S. \$42,150,000 10 7/8 per cent. Gaaranteed Bonds due 1998 (the "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate amount of \$5,085,000 have been drawn for redemption on April 29, 1996 (the "Redemption Date") for the account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL HUMBERS OF BEARER BONDS CALLED FOR REDEMPTION

Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto maturing after April 29, 1996, at the principal office in the city indicated of any of the following Paying Agents:

The Bank of Tokyo, Ltd. in Paris The Industrial Bank of Japan, Ltd. in London The Bank of Tokyo, Ltd. in Brussels The industrial Bank of Japan (Luxembourg) S.A. in Luxembourg Bank of Tokyo (Switzerland), Ltd. in Zurich Industriebank von Japan (Deutschland) A.G. in Frankfurt/Main

On and after the Redemption Date, interest on the Bonds to be redeemed for this Sinking Fund will cease to accrue. The coupon for interest payable on April 29, 1996 should be detached and presented for payment in the

JAPAN ARLINES COMPANY, LTD. By: The Bank of Tokyo Trust Company

Dated: March 27, 1996

### COMPANIES AND FINANCE: EUROPE

# Thomson-CSF back in black despite sales slip

Thomson-CSF, the professional electronics arm of France's Thomson group which is to be privatised later this year, yesterday announced a return to the black, from a FFr962m net loss in 1994 to a FFr1.01bn (\$199m) profit for 1995.

The results were helped by lower restructuring costs and a reduced burden from its stake in Crédit Lyonnais, the troubled bank.

Thomson-CSF, whose business is still nearly two-thirds in defence, reported a 2.4 per cent drop in sales to FFr35.5bn and a decline in operating profit from FFr2.17bn in 1994 to FFr1.96bn last year.

But the company gained more from its stake in SGS-Thomson, the Franco-Italian chipmaker in which Themson-CSF's stake has been reduced to 17 per cent. The disposal of shares led to a FFr240m capital

The big improvement in Thomson-CSF's bottom line was due to the fact that in 1994 it had to make a FFr1.5bn provision in 1994 for Crédit Lyonnais losses - reflecting its 19 per cent stake in the bank while the 1995 provision was only FFr35m. The terms of the state rescue of Crédit Lyonnais allow Thomson-CSF to keep annual provisions for its bank

investment at this low level. Mr Marcel Roulet, former nead of France Telecom who last month replaced Mr Alain Gomez as head of Thomson with the mission of privatising the whole group this year, yesterday gave no precise indica-tion of his sell-off plans. Confining himself to generalities, he said his aim was to "give industrial direction to the ever, reserved about a wider 1995. from FFr63.6bn at group, to promote restructur- partnership that Mr Gomez end-1994.

ing of defence electronics (in France], to develop synergy between military and civil activities, and to allow Thomson-CSF to branch out more into civil business".

But Mr Roulet said he wanted to move as quickly as possible with privatisation so as not to prolong the "uncertainty" for the company's clients and partners. Thomson-CSF has produced its results this year earlier than usual, and said yesterday that it would increase to FFr2.60. from FFr2 in 1994, its dividend to private investors who hold 41 per cent of its capital.

The other 59 per cent is held by the Thomson SA state holding company, which owns 100 per cent of the other half of the Thomson empire. Thomson Multimedia. This subsidiary makes televisions. video recorders and other products.

Thomson Mnltimedia last week announced that, after several years of steady improvement, its results had deteriorated in 1995 with a FFr1 09hn net loss, nearly donble the 1994 loss of FFr596m. The news highlighted the magnitude of Mr Roulet's task in selling off the group as a whole.

Nevertheless, Mr Roulet -

who, like his predecessor, beads Thomson-CSF as well as Thomson SA - said privatisation would not hinder Thomson-CSF from pursuing alliances and acquisitions this year. This strategy has made Thomson-CSF the third largest defence electronics company in the UK, and Mr Roulet predicted it would shortly finalise a new joint venture with the General Electric Company of the UK in sonar. He was, how-



Marcel Roulet: pushing on with privatisation plan

was discussing with GEC at the time of his departure. Under Mr Gomez, Thom-son-CSF effectively "bonght" turnover, through foreign acquisitions and alliances, to offset the general decline in defence orders. The pressure to do this may ease slightly.

The company said yesterday that, despite a drop in sales last year, it took in more orders last year, including work related to a Saudi frigate contract. This lifted its total order book to FFr70.9bu at end-

# **NEWS DIGEST**

# Océ-van der Grinten ahead in first term

Oce-van der Grinten, the Dutch office equipment and photocopier maker, reported a 30 per cent rise in net profits to F1 27.4m (\$16.5m) in the first quarter of its 1996 financial year ending November 30. This represents a marked improvement from the 20 per cent increase posted in 1995 and a continuation of the higher trend apparent in last year's final quarter. Sales rose 11 per cent to F1 774m but were held back slightly by the translation effect of the strong guilder. At constant currency rates, the increase would have been 14 per cent.

The company also said it was poised to complete its recently announced takeover of Siemens Nixdorf's printing systems business on April 1. The purchase price of FI 900m would be financed by an issue of around 2.6m ordinary shares, worth about Fi 370m, and 5m cumulative preference shares, which would be priced at Fi 35 each and aimed at institutional investors. The rest of the purchase price would be financed by Ronald van de Krol, Amsterdar interest-bearing debt.

### Mayr-Melnhof cancels payout

Mayr-Melnhof, the Austrian paper and carton group, has cancelled its 1995 dividend because of unexpected losses at its German subsidiary FS Karton. Mr Michael Groeller, chairman, yesterday said the parent company had to take Sch172m (\$16.55m) from its reserves to cover the losses and write off the value of its holding on its books. FS Karton's deficit was due to problems at its business with China, the closure of a German factory and an large unpaid bill with an overseas partner, Mr Groeller said.

Before these extraordinary outlays, Mayr-Melnhof's group net income jumped 75 per cent from Sch182m to Sch319n while sales advanced 14 per cent from Sch10.8bn to Sch12.2bn But on its balance sheet, Mayr-Melnhof reported neither a profit nor a loss for 1995. Analysts were surprised by the announcement, and Mayr-Melnhof shares closed nearly 4 per cent lower at Sch495 on the Vienna stock exchange yesterday. Mr Groeller said he hoped to resume dividend payouts for this year. Last year, the company paid Sch14 a share.

Eric Frey, Vienna

### **FLS Industries slips**

FLS Industries, the Danish conglomerate, yesterday posted net profits down 3 per cent from DKr425m in 1994 to DKr412m (\$72.19m) last year. Pre-tax profits dropped from DKr583m to DKr566m, while earnings per share dropped from DKr46 to DKr45. The company said excluding extraordinary and non-recurring items, pre-tax profits rose from DKr330m a year earlier to DKr546m, Turnover rose 25 per cent from DKr14.4bn

to DKr18bn. The dividend was unchanged at DKr12 per share. Of the DKr3.5bn growth in sales, about DKr1bn could be attributed to the net contribution of newly acquired units, the company said. Among units already owned in 1994, the strongest growth came in the area of engineering activities. The main FL Smidth-Fuller Engineering division, which contributed 36.5 per cent to sales, was able to expand its global market share despite increasing competition in the cement industry, and divisional profitability was satisfactory, it said.

FLS Aerospace had another difficult year, and indications were that market conditions would also be difficult in 1996. Despite increased air travel, there would still be overcapacity in the maintenance market. The aerospace division contributed a pre-tax loss of DKr146m. While that should improve in 1996, the division would still be loss-making, the

company said. For the whole group, sales were expected to rise again in 1996, and continued tight cost control should ensure better operating results in companies within the group. However, uncertainty about currency and tax rates, among other things indicated a need for coution in forecasting the 1996 net profit AFX News, Copenhagen

### Banca di Roma doubles profit

Banca di Roma, the Italian bank, said it posted a parent net profit of L88bn (\$56m) in 1995 compared with L42bn a year earlier. Deposits rose to more than L179,000bn compared with L126,000bn a year earlier and loans rose to more than L150,000bn from L106,000bn. The bank said 1995 parent net

Bremer Vulkan's subsidiary, Neptun Industrie Rostock, is to solit from its parent company, according to NIR. The subsidiary, which currently has 14 subsidiaries and a positive balance sheet, announced its interest in quitting the group on

# Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Thursday, May 9, 1996, 10:00 a.m. Ludwigshafen/Rhine, Germany

Agenda

- 1. Presentation of the Financial Statements of BASF Aktiengesellschaft and BASF Group for 1995; presentation of the 1995 Annual Report covering BASF Aktiengesellschaft and the BASF Group; presentation of the Supervisory Board Report.
- 2. Declaration of dividend. 3. Ratification of the actions of the
- Supervisory Board.
- 4. Ratification of the actions of the Board of Executive Directors.

Shareholders wishing to partici-

exercise their right to vote must

shares during normal office

hours and in the prescribed

until the conclusion of the

form at a depository bank. The

Annual Meeting. Shareholders

have the right to vote by proxy.

Depository banks and the full

Agenda are published in the

"Bundesanzeiger" of the

German Federal Republic Nr. 60 of March 26, 1996.

shares should remain deposited

have deposited their

pate in the Annual Meeting and to

6. Authorization of the Board of Executive Directors to issue

5. Appointment of an auditor.

- bonds with warrants of the company; creation of conditional capital. 7. Reduction in the nominal value
- of a proportion of the shares issued by the company.

credit cards to subscribe for shares in OTE, the state-owned monopoly, or taking out spe-clal loans offered by Greek hanks underwriting the issue. Investor enthusiasm over the public issue of 6 per cent of OTE's shares to raise Dr96bn (\$398m) contrasted sharply with an earlier mood of uncerinty when public sector trade unions revised their campaign against partial privatisation. In February OTE's union

By Kerin Hope in Athens

Greece's telecoms offering

opened strongly yesterday,

with local investors using

staged a four-day strike to pro-test against the flotation. The failure of two earlier attempts to float OTE on the Athens Stock Exchange in 1993 and 1994 had also made investors sceptical whether the socialist government would manage to pull off the first listing of a Greek utility.

Last week, however, almost all the company's 24,000 employees and several thousand pensioners applied to par-ticipate in the private placement of 4m shares, equal to 17

Warm welcome for OTE offer

per cent of the offering.
One banker involved in the issue sald: "There's heen a startling reversal of attitude. To everyone's surprise, the OTE placement was oversubscribed six times."

An advertising campaign on Greek television urging small investors to buy shares in "Greece's biggest and most profitable company" had helped to fuel demand. Newspaper reports over the weekend that institutional investors in the UK and US approve of the offering have boosted domestic confidence in its quality.
Brokers in Athens said yes-

terday that appetite from small investors and wealthy private individuals such as Greek shipowners was so strong that the 66 per cent of the issue being offered domestically would certainly be oversubscribed.

The finance ministry was yesterday under pressure to release a further 2 per cent of OTE's equity for sale this week under the terms of a law passed earlier this year. Most of the additional equity

would go to foreign institu-tional investors, which have initially been offered 4.Sm shares through an unofficial international tranche being managed by HSBC, Salomon Brothers and BZW.

The issue is being co-ordinated by National Bank of Greece, the country's largest state-owned bank. National, the two lead underwriters - state-owned Commercial Bank and Alpha Credit Bank, the largest private Greek bank - are able to sell shares through sizeable branch networks throughout Greece.

To ensure the widest possible distribution of shares domestically, as many as 50 institutions, including avery Greek bank, foreign banks with branches in Athens and a group of Greek brokerage houses, are underwriting the

# interest income fell 7.3 per cent to L3,224bn.

Unit to quit Bremer Vulkan

# Téneo chief sees return to profit for Iberia

By David White In Madrid

Iberia, the Spanish state-owned airline at the centre of a state-Depository banks in the U.K.: Morgan Grenfell & Co. Limited S.G. Warburg & Co. Ltd.

dicted yesterday.

Iberia's financial perfor-The deposit is only effective if the shares are submitted by Thursday, May 2, 1996.

The Board of Executive Directors Ludwigshafen/Rhine, March 26, 1996

BASF Aktiengesellschaft

BASE

aid controversy, will make a clear profit this year after los-ing Pta45bn (\$382m) in 1995, Mr Javier Salas, chairman of the Téneo holding company, pre-

> mance this year would be helped by the controversial Pta87bn capital increase recently approved by the Euro-

pean Commission and due to be carried out shortly, he said. The airline group's loss, which he said reflected restructuring costs, was about Ptalbn worse than in 1994. However, operating results were strongly positive, with earnings rising by Pta19bn to

Air transport was the only part of Téneo's wide-ranging interests, which include holdings in energy and serospace, to ehow a deterioration in 1995.

Overall, the Teneo group more than doubled net earn-ings from Pta30bn to Pta71bn, and Mr Salas predicted a further increase this year. Group turnover was 10 per cent up at Pta2,230bn. However, the group contin-

ued to be heavily dependent on its controlling position in End-esa, the leading Spanish elec-trical ntility, which raised net profit from Pts132.7bn to

The future of the govern-ment's indirect stake in Endesa - and that of Téneo itself are both in question after this month's general election victory by the centre-right Popular party, which is committed to a more ambitious privatisa-

tion programme. Téneo was formed in 1992 to bring together the more viable parts of the former Instituto Nacional de Industria, a holding company which disappeared in a reorganisation of the state sector last year. Mr Salas, who is expected to be replaced once a new government takes office, said the group was trying to get itself into a position for taking in private-sector sharsholders.

beyond our decision-making capacity."

The holding unit last year halved its staff to about 200.

Employment for the group as a whole fell by about 1,500 to 77,000, including more than 34,000 at Iberia and its affili-

Earnings before tax and minorities climbed from Ptal25bn to Ptal89bn. Operat-ing profits rose from Pta264bn to Pta368bn, an increase of 37 per cent. Mr Salas said that Pta44bn of this gain came from business growth, Pta40bn from price increases, and Pta20bn from job reductions and other cost-cutting measures. Higher prices last year in

particular affected Inespal, the aluminium group whose net profits moved from a Pta16bn loss to Pta10bn net profit.

Last year Thomson-CSF of France took a 25 per cent stake in the defence electronics unit Indra, while 40 per cent of Téneo's construction subsidiary, Auxini, was sold to a private-sector Spanish contractor, OCP.

The group reduced its out by Pta285bn during the year to Ptal,207bn, reculting in a reduction of PtaSbn financial charges to Pta128bn.

Extraordinary losses, mainly resulting from restructuring measures, meanwhile increased by Pta69bn to Pta94bn.

67056 Ludwigshafen \$10,010,000 The Telecommunications Corporation **BANQUE NATIONALE** 

which are guaranteed as to payment of principal only at maturity on the Interest Payment Date falling in September 2002 by International Bank for Reconstruction and Development will carry a Rate of Interest of 0.55703 per cent, per annum. The Compon Amount per U.S. SiCOO Bond will be U.S. 5315.14 and the Coupon Amount

Telescommunicae Gerperation I. the Makemie Känelen of Junkov

U.S. \$50,000,000

Floating Rate Bonds due 2002

per U.S. \$100,000 Bond will be U.S. \$3,351,37 payable on 26th September, 1996.

Bankers Trust

Company, London

Agent Bank

DE PARIS amme for the Issuance of Debt Instruments USD 3,000,000

Floating to Fixed Flate Hotes due 2008 Series 53 Trancha 1 Notice is heraby given that the rate of interest for the period from March 27th, 1995 to September 27th, 1996 has been fixed at 6.06875 per cent, per annum. The coupon amount due for this period is USD 3.101.81 per denomination of USD

100,000 and is payable on the interest payment date September 27th, 1996. The Fiscal Agent
Basque Nationale de Paris
(Lexembourg) S.A. ITEC MINERAL INC. 3,640,000 Units

Price: \$2.75 per Unit

Yorkton Securities Inc.

Marleau, Lemire Securities Inc.

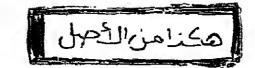
We are pleased to announce that:

Andrew M. Blum

has been named

Chairman Unterberg Harris International

Unterberg Harris



# **COMPANIES AND FINANCE:** EUROPE

# Argentaria hails 'success' of \$1.1bn share issue

MARCH 27 IL

equipment and

cent rise in net profits
of its 1996 financial re

a marked improvement 1995 and a continue

ear's final quarter sate and back slightly by the

r. At constant cumple

d to complete its record orf's printing system ce of F1 900m would be

rdinary shares while

ice would be finance; con de Krol, Amstei

cels payout

i carton group, has unexpected losses at that Groeller, charged to take Schling

e losses and amen

arton's deficit with

a, the closure of a

Mayr Welnhoff a children to Schille

Schlosba in Schi

if reported neither

re surprised by the

tres closed nearly to

ick exchange tests

ividend payous at

ete, yesterday poste

in 1994 to Dicien

oped from Distage

opped from DKr-5g

se from DF130mag

er cent from DRagge

ged 1: Dit-12 per de

out Dirion could is

owin produced time?

חצור ברוים activity

able is expendingle

es ratiofactory, need

o be little alt in 1996

ld stall be overcapath

l == : ha: should

il in the making in

Mitera 🗀 ribe antib m

about to the read

the IT.; E Fra.

les, and the profit

bles profit

ביים במשביל בי היין זיליים כ

i wana Lelia ayesi Poposia sempired se

tallf lest puttine.

1. 1. C. S. F.

ಕ ಟ್ರಾಪ್ 🤭 ಚಿತ್ರಾ

AFV in Opinion in

3214 2017/10g

stition in the cemen

ig di Laire, which

Pries to their the

Eric Frey, Va

14 a share.

ed at institutional

4 per cent.

The \$1.1bn secondary share issue by the Spanish state of a 25 per cent stake in Argentaria, tha Spanish bank, was hailed as a success by its chairman. Mr Francisco Luzón yesterday, but was greeted with caution by analysts.

Despite a low issue price of Pta5,132 a share, which was below Monday's Madrid close of Pta5.160, Argentaria cut the international tranche, allocating an additional 2m shares to

the retail domestic issue. The switch in the allocation

prompted analysts to speculate that institutional appetite for the banking group had been slack. "Argentaria placed its paper but it doesn't look like a triumphant disposal," said Mr Juan Bastos, chief executive of Madrid brokers Ibersecurities. The bank's shares fell Pta10 to Pta5,150 on the Madrid bourse yesterday after the pricing announcement, in a generally

However, Argentaria said 600 international institutions had bid for a total of 24.8m shares in the book-building period, 2.4 times what had been offered.

lower market.

"We reduced the international allocation because I wanted quality, stable shareholders and because I wanted to meet the domestic retail demand," Mr Luzón said.

An over-allotment or "green shoe" tranche of 2.5m shares is due to be placed with international institutions this week.

Domestic demand - where, according to the offer document, 65 per cent of the issue was to be placed - was strong. The retail tranche was seven times oversubscribed. Small investors received a 4 per cent discount on the issue price.

The domestic institutional allocation was 3.1 times oversubscribed. Mr Luzon said Argentaria

had been able to rebuild selectively the stable core sharebolding of international institutions which it created when it first tapped the global markets in 1993. He said institutions which had sold Argentaria over the past two years. when the banking group's shares underperformed the Spanish market, had now

returned as stable investors. We have recovered the 100 per cent credibility we had."

Argeotaria's chairman said. "1 bave high quality institutional sharebolders who have good research and who know the

company well." After the share sale, Argentaria remains 25 per cent stateowned and 1,200 institutions control about 25 per cent of its stock. A core of 100 institutions in the UK and the US are each understood to own between 0.1 and 0.3 per ceot of the group.

Analysts said the Argentaria issue had been a victim of bad timing - the offer period coincided with an inconclusive result in Spain's general elec-

the banking's group's shares had been trading in Madrid at

"Institutions may have liked Argentaria's fundamentals and its price, but they didn't like the political risk," said Mr Frederick Artesani of the French Oddo group's broking unit in Madrid. "It's difficult to sell state assets when you

haven't got a government."

Mr Luzón said be expected only a "minimal" flowback in the after market. "The next four days will show the quality of our sharebolding."

Ciba may drop

Ciba, the Swiss drugs

company, may drop one of its

most promising drugs, Revasc,

from its beart disease research

programme after disappointing

The drug may still be used in another area, blood clots in

veins, but one analyst at a Lon-

don stockbroker is reducing

his forecasts for Ciba sales in

2000 by SFr200m (\$167m), or

Another analyst, at Union

Bank of Switzerland, estimated

the likely annual loss of sales

Revasc was tested in compar-

ison with Heparin, a cheap

alternative already on the mar-

ket, in a study involving 12,000

patients. Patients using Revasc

were statistically no better off.

But the future of the class of

drugs to which Revasc belongs

remains unclear after Biogen, a

US hiotechnology company,

said yesterday that its drug,

Hirulog, had shown a statisti-

cally significant improvement

compared with Heparin in opening blood vessels of

patients suffering heart

The two drugs are closely

related chemicals and differ

mainly in their mode of manu-

Ciba sald that Revasc had

proven twice as effective as

standard Heparin in reducing

deep vein thrombosis, a

smaller market than heart dis-

ease. It said It expected

approval from drug regulators

near the end of this year.

attacks.

facture.

at more than SFr250m.

research into

By Daniel Green

trials results.

# annual profit 35%

**NEWS DIGEST** 

Banco Ambrosiano Veneto, one of Italy's largest banks, increased net consolidated profit by L47hn to L180.4hn (\$114m) in 1995, a rise of 35 per cent. The bank, which is 30 per cent owned by Credit Agricole of France, said gross operating income had increased by more than 50 per cent to L979bn. against L649bn the previous year. Ambroveneto's parent company results were issued in February, and showed a 22 per cent increase in net profit, hetter than many analysts expected. Group profit was further swelled by what the bank described as "significant improvements" in the profitability and financial position of subsidiaries.

Ambroveneto lifts

 Cariplo, one of Italy's largest banks, has appointed Lehman Brothers of the US to advise it on its stock market flotation. which should take place later this year. The charitable foundation which owns all the Milan-based bank's shares has already appointed Goldman Sachs as its adviser on the deal. Andrew Hill, Milan

### Belgian bank slips

Groupe Bruxelles Lambert, the Belgian bank, said its net profit fell from BFr6.63bn in 1994 to BFr6.6bn (\$217m) last year. But the board is proposing a BFr146.5 a share net dividend. against BFr145 paid in 1994.

The company said it expected the trend for this year's results to be positive but this would naturally depend on the profits of its subsidiaries. "The results will be affected ipwards by the capital gain of LFr4bn (\$131m) made by Compagnie Luxembourgeoise de Telediffusion on the sale of the TelezStar group," it said. The results will also include a FFr170m (\$33.61m) gain made by GBL's Partinance unit on the sale of CarnaudMetalbox shares, it said

GBL said net profit before exceptional items included a BFr6.2bn share in the profits of its investments, against BFr5.64bn in 1994, plus BFr711m from divideuds and other financial income, against BFr641m. Profit was net of BFr558m in charges for amortisation of goodwill, against BFr636m in 1994, and crediting BFr518m of capital gains, against BFr1.28bn. Net profit per share was BFr281, against BFr282 a year earlier, it said.

The largest profit contributor was GBL's investment in Petrofina, the Belgian oil group, with BFr1,178bn, against BFr995m. That was followed by Banque Bruxelles Lambert. with BFr1.1bn, against BFr965m, and Tractebel with BFr1.073bn, against BFr966m. AFX News, Brussels

### Arbed surges

Arbed, the Luxembourg steel group, said its net profit after minority interests rose from LFr366m in 1994 to LFr3.7bn (\$121m) on sales up 25 per cent to LFr257.1bn. Casb flow doubled to LFr22bn from BFr11bn. Crude steel output rose 30.5 per cent to 11,5m tonnes, flat rolled steel rose 59.7 per cent to 6.1bn tonnes and long rolled products dropped 9.2 per cent to 4.09bn, Stainless steel production rose 24.4 per cent to 455,700 tonnes and drawn products rose 4.6 per cent to 738,000 tonnes. The rises reflected acquisitions and a favourable situation for stainless steel, but the long products sector had a difficult

It said that after investments of LFr13.3bn, net debt rose from LFr70.9bn at the end of 1994 to LFr75.9bn at the end of last year. Consolidating Stahlwerke Bremen added LFr13.5bn to indebtedness, it noted.

The group said the year was very satisfactory for most markets, although demand fell in the second balf, leading to a rise in stocks. This was aggravated by imports from eastern Europe and distortions in trade caused by monetary disorder AFX Neirs, Brussels inside the European Union.

# **UAP** tumbles into the red after provisions

By David Buchan

UAP, the French insurance group, last night announced its first full-year loss. It reported a deficit of FFr2.06hn (\$407m) for 1995, due to beavy provisions for property holdings and loans, and to lower capital gains to offset them.

The group, which had made a FFr1.56bn profit in 1994, was particularly hit by the need to set aside FFr2.9bn to cover tha cost of provisioning for, and managing, property boldings and loans made by Banque

It also had to depreciate by FFr1.3bn assets beld by its French companies.

Mr Jacques Friedmann, president, said the loss for 1995 was "essentially the result of decisions taken several vears ago in a sector outside our main activity of insurance". Apart from this, and difficult conditions in the life insurance market, particularly in the UK, he claimed that the group had performed satisfactorily last

UAP turnover rose by 4 per cent to reach FFr157.5bn last year. But stripping out the effect of integrating Provincial, the UK insurance company, and of SCOR, the French reinsurance company, into group accounts, turnover showed a real decline of 0.4 per cent last

In contrast to 1994, when UAP's French operations had made capital gains sufficient to offset exceptional charges and provisions, gains from the sale of assets in France were sharply down by FFr3.7bn last

Insurance operations contributed FFr2.8bn to group profit, with a marked and improvement in the ratio of accidents to premiums especially in France and eastern and central Europe.

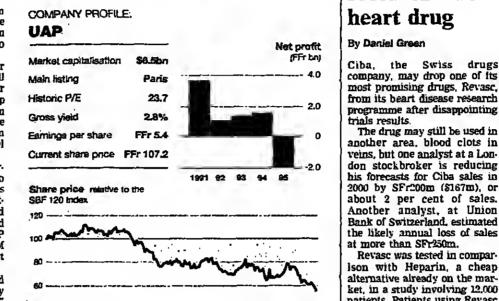
The group's banking bust- unit into Compagnie UAP.

ness contributed a FFr750m profit, with even Banque Worms reducing its loss from more than FFr600m in 1994 to

FFr107m last year. Mr Friedmann forecast for this year that UAP would still require "more rigour in our management to put the group durably back into profit from 1996 onwards", although the board had decided to maintain the dividend at the 1994 level of FFr4.50 per share.

He also announced a reorganisation of the group into five geographical profit centres France, Germany and eastern Europe, Benelux and northern Europe, the UK and Ireland, and a revamped UAP International to take charge of southern Europe and the rest of the warld.

This would be accompanied by the selling of some "barely profitable and non-essential assets, and the merger of the existing UAP International



# Renault truck and bus division doubles to FFr712m

Motor Industry Correspondent

Renault VI, the truck and bus division of France's state controlled vehicles group, accelerated its financial recovery by more than doubling 1995. net profits from FFr343m to

FFr712m (\$141m). Once a chronic loss maker, RVI increased sales by 13.2 per cent to FFr33.5bn. The improvement came principally 53,893, an increase of almost 23 in Europe, its main market, per cent over 1994.

where sales climbed 23 per cent to FFr22.1bn and operating profits jumped from FFr42m to FFr696m.

Mack Trucks, the US heavy trucks subsidiary, also continued the turnround, with pretax profits increasing from \$11m in 1994 to \$58m this time. Output rose 19.5 per cent to 75,768 units, of which heavy trucks - those weighing more than 16 tonnes - made up

acquisition if the opportunity arose, Mr Kohlhaussen said:

There is no suitable company

for a takeover, at least not at an acceptable price." It would

push investment banking in

Frankfurt, London, New York

and Singapore by concentrat-

ing securities, asset manage-

ment and corporate finance

Commenting on the 1996

business outlook, he said Com-

merzbank was on course for a

sharp rise in operating profits.

In the first two months, the

interest surplus increased

slightly and commission

income was up by a third,

This announcement appears as a matter of record only.

activities into stronger units

and hiring specialists.

However, the company warned that markets this year would be more difficult. Mr Shemaya Levy, managing director, said European demand for trucks of more than 5 tonnes could stagnate at about 260,000 units, after a slowdown in new orders in the

The US market was even less encouraging, as demand for heavy trucks was forecast to

helped by growth in securities

Mr Kohlhaussen said own-

account financial trading had

developed well after last year's

330 per cent rise to DM455m

(\$307.9m). Despite the rise in yields, the bank had achieved a

better bond dealing result so

far this year, belped by the

sale of a share packet in Thys-

sen the German steel-based

Overalt, profits had risen much faster than costs which

grew nearly 13 per cent in 1995,

partly reflecting new invest-

ments. However, Commerz-

bank would remain cantious in

its handling of loan provisions

industrial concern.

second half of 1995. Total sales

in 1995 were about 261,000

fall as much as 30 per cent, to about 165,000 units. However, the company said It was well set to face "a 1996

which could be less favourable, in market terms, than 1995". Mack Trucks is trying to lower its break-even point well below the current level of about 20,000 units, while in Europe, RVI is soon expected to unveil a number of new models to replace much of its ageing range.

The group is also trying to

in view of economic volatility.

It has already announced a

109 per cent rise in 1995 operat

ing profits to DM1.45bn after

risk provisions, with net

income 7.2 per cent lower at

DM979m because 1994 results

were buoyed by asset sales.

Loan loss provisions were 46.5

per cent lower at DM886m, due

to the absence of write-downs

on its securities portfolio in

contrast to the bond market

rout of 1994. Foreign activities

and the group's two mortgage

banks performed well in 1995.

But domestic branch results

were disappointing and a new

marketing offensive had been

started to improve profits.

save on investment spending and to raise productivity by improving the co-operation between its European and US operations, and by launching selective joint ventures with

outside partners.

RVI recently detailed its co-operation with the German ZF engineering group for joint efforts in gearbox supply and development. It will also work with MAN of Germany on possible future engines, axles and bus components.

> These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. All of these securities having been

# Samsung Display Devices Co., Ltd.

0.25% Convertible Bonds due March 12, 2006

Certain of these securities have been sold outside of the United States by the undersigned.

Goldman Sachs (Asia) L.L.C.

Samsung Securities Co., Ltd.

SsangYong Securities Europe Limited

Salomon Brothers International Limited

SBC Warburg

Jardine Fleming

Dresdner Bank - Kleinwort Benson Lehman Brothers

**Sunkyong Securities Limited** 

Certain of these securities have been sold in the United States by the undersigned in a private offering that included sales pursuant to Rule 144A under the Securities Act of 1933.

Goldman, Sachs & Co.

SsangYong Securities America Inc.

Salomon Brothers Inc

Commerzbank to develop investment banking By Andrew Fisher in Frankfurt

Commerzbank has ended its search for a reasonably priced investment banking acquisition and will develop this side of its business from its own resources, Mr Martin Kohlhaussen, the chairman, said

His statement marks a retreat from the German bank's previous ambition of hnying an investment bank. After ceding defeat last year in the battle to buy Smith New Court of the UK, which went to Merrill Lynch of the US, it had still sought acquisitions.

While not excluding an

dustria Romadilla gravita Tip addiction and appear a guidance the gravit a guidance the gravit

Vulkan

the stores has nown from the moter from the Posters on the test Transition thank a Special

With the Party School of the Party And the William States And the William States And the William States And the William States The Committee of the Party The Committee of the Party The Party States of the Party States The Party

TP

STORY TO CARREST

SERVICE TO CARREST

OTHER AT AT THE PROPERTY OF THE PROP

4

Shell GAS

Shell Gas Romania S.A.

the undersigned acted as financial

advisor to Butagaz International B.V.

Butagaz International B.V.

a company of the

Royal Dutch / Shell Group

and

PECO Prahova S.A.

PECO Timis S.A.

PECO Constanța S.A.

have established a joint venture



Capital S.A. - Bucharest Romanian Investment Bank

Capital S.A. is an affiliate of Wasserstein Perella & Co.

March 1996

ustrias Unidas, S.A. de C.V. Up to U.S.\$ 45,000,000

Fleet Financial Group US\$100,000,000 Ploating Rate Subordinated Capital Notes Due 1996

LEGAL NOTICES

CENTERCORE (UK) LIMITED NOTICE IS HEREBY GIVEN pursuant to

G Machell

**PUBLIC SPEAKING** 

Training and speech writing by award winning speaker. First lesson free. Tel: (01923 852286)

NOTICE IS HEREBY GIVEN pursuant to Sociolo 98 of the Insolvency Act 1986 that a meeting of the creditors of the above named company will be held at York House. 199 Westminster Bridge Road, London SE1 7UT on the 29th day of March 1996 at 11.30 am for the purposes, if thought fit, of nominating a Liquidator and of appointing a Liquidation Committee. Amy proxy to be used at the meeting ment be lodged at Becket House, i Lumbeth Palace Road, London SE1 7EU not later than 12 tooon on the business day before the meeting. A statement or claim must also be lodged.

Dead this 13th day of March 1996

G Mitchell

PERSONAL

old, this announcement appears as a matter of record only



U.S.\$65,000,000

(Convertible into Common Shares)

Offering Price: 100% plus accrued Interest, if any, from March 12, 1996

Bayerische Landesbank Girozentrale

S.G. Warburg & Co. Inc.

March 12, 1996

# Citic Pacific ahead 20% for year

Cttic Pacific, the Hong Kong-listed arm of China's flagship investment company, yesterday announced a 20 per cent increase in net profits for 1995 and outlined plans for significant investments this year. Unvelling net profits of HK\$3.07bn (US\$397m), Mr Pacific said it was cutting costs

HK\$8bn-HK\$10bn in 1996. He added that the group was examining several infrastructure projects. Such work is playing an increasing part in the group's activities, raising its share of profits from 5 per cent in 1994 to 16 per cent. Franchises on two bridges in Sbanghai contributed a full

expected investments of

Mr Henry Fan, managing director, said most of the group's activities had seen satisfactory growth. The exception was Dah Chong Hong, the trading and distribution arm, which was hit by a sharp fall in car sales. In response, Citic

Larry Yung, chairman, said he and increasing efficiency. The net result was buoyed by contributions from the conglomerate's investments in Hongkong Telecom and Cathay Pacific, the Hong Kong-based airline. After September's sale of a 2.5 per cent stake in Cathay. Citic Pacific bolds 10 per cent in each company. Mr Yung said the reduction of the stake in Cathay, and the depar-

year's earnings, as did the Da ture of himself and Mr Fan in the aviation sector. Fu road tunnel in the city. In the board of the airline, Mr Yung was guardent was a supplied to the city. did not signal a distancing from the Swire group, Cathay's parent and Citic's ally in property and industrial activities. "We still have a lot of co-operation," said Mr Yung. "The relationship is as before."

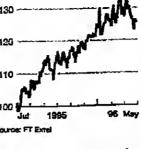
Speculation about strains in the relationship has centred on aviation activities. Citic and Cathay are the dominant shareholders in Dragonair, a Hong Kong hased-carrier, which faces the prospect of competition from CNAC, the airline arm of the Chinese aviation authority.

Industry analysts believe the boardroom manoeuvres at Cathay are an attempt by Citic to establish its independence

Mr Yung was guarded on the possibility of a stockmarket flotation for Dragonair and on the prospect of selling a stake in the carrier to CNAC. However, be indicated Citic had expansion plans for the airline, saying that Dragonair would continue "to press vigorously for the right to fly to more destinations and with greater frequency to existing destina-

In 1995, the airline had raised both sales and profits, said Mr Yung. Citic's aviation activities represented 19 per cent of profits last year, compared with 28 per cent from telecoms, 21 per cent from property and 11 per cent from bridges and tunnels. Total turnover fell from

Citic Pacific Share price relative to the Hang Seng Index



HK\$12.12hn to HK\$10.84hn, reflecting the downturn in the trading and distribution arm. Earnings per share increased 15 per cent to 152.6 cents, while the total dividend for the year was raised by the same propor-

net earnings at the halfway stage and sounded an optimis-

Net earnings rose from HK\$3.8bn in the six months to December 31 1994 to HK\$4.01bn (US\$519m). Some analysts had heen expecting a decline in

The company, which at the year-end bad a development

land bank of 15.1m sq ft (excluding investment and China properties), increased its share of rental income this year - at HK\$593m, up 45 per cent on the same period last year. The portfolio of investment properties amounted to about

secretary, added his voice to the cborus of developers and property analysts who believe the property market has bot-

He said activities in the property market, which had made a

state hy 150 per cent, to 30,000 hectares. About A\$330m of the

total expenditure will take

Amcor also plans to npgrade two mills in Tasmania, allow-

ing It to manufacture a higher

proportion of high-value coated

The company later denied

market rumours of a rights

Glencore, the Swiss-based

commodity trading group, was

yesterday understood to have

picked up a 14.9 per cent stake

in Gold Mines of Australia, the Pertb-based mining group,

tbrough stockmarket pur-

place at Maryvale.

issue.

slow start to the year, took a positive turn at the end of last year, led hy a gradual recovery in the residential sector. Prime office buildings had also seen a

tinued steady growth expected in the local economy. Supply of new flats from the private sector has been forecast to fall below 20,000 units this year. substantially lower than the historical 10-year average of about 30,000 units a year, while the population is continuing to

The group also reported results for Henderson China.

shares is due to start tomorrow. The company said its interim profits improved 1.4 per cent from HK\$11.54m in the last six months of 1994 to HK\$11.71m last year. Henderson Investment, an

associate company, more than doubled its net profits, from HK\$625.37m in the last six months of 1994 to HK\$1.34bn in the same period last year. Earnings per share rose from 24 cents to 52 cents, but the dividend is to he lifted only 18 per cent, from 11 cents to 13

Shk87.8m in 1994. In addition, sharp improve ments were recorded by Leumi Insurance holdings, Africa Israel's insurance subsidiary, and Africa Israel Hotels, its botel subsidiary, which operates under the trade name Holiday Inn and is expanding

rapidly. The company also said it sold a record number of apartments in 1995, at higher prices than 1994, and that 2,500 apartments were under construction at the end of the

Israel group

Africa Israel, an Israeli

conglomerate involved in

insurance, property and tour-

ism, yesterday announced

record annual profits.

The improved performance

comes as the company braces

itself for a restructuring in the

wake of new banking regula-

tions forcing Bank Leumi,

Africa Israel's biggest sbare-

holder, to reduce its stake in

the company from 55 per cent

to 25 per cent hy the end of this year.
The company said group net

income for the period ending

December 31 1995 rose 51 per

cent, from Shk68m a year ago to Shk103.1m (\$33.3m).

Group turnover rose 8 per

Operating profit advanced

24 per cent, from Shk93m last

Africa Israel said the main

improvement in profitability

could be attributed to invest-

ment income, which amounted

to Shk22.1m. a turnround

from investment losses of

cent, from Shk3.2bn in 1994 to

Shk3.5bn.

time to Shkilim.

at record

shake-up

before

By Julian Ozanne

 Clal Israel, one of the country's biggest bolding companies, announced yesterday that net profit for the period ending December 31 1995 rose 63 per cent, from Shk113m a

year ago to Shk184m. Revenue in 1995, excluding insurance income, rose from Shk4.4bn in 1994 to Shk4.8bn. Clal Israel is the parent company of the Clal Group and is involved in industry. trade, services, construction and the capital and financial

# 3I, IBJ complete Japanese buy-out

3IBJ, a joint venture between 3L, the UK venture capital. company, and Industrial Bank of Japan, one of Japan's leading banks, has completed the financing of its largest Japanese management buy-out.

Management buy-outs are rare in Japan, and this project the purchase of Transtec, an importer of computer software and related equipment, from its owner, the Hong Kong-based Swire group - is only the fourth such deal in in the country's history. All the previous ones have been small in comparison. The value of this purchase was not revealed, but Transfec

has annual sales of about Y2.2bn (\$20m). 3I in Tokyo said the deal marked the first of what it expected to be a succession of similar projects over the next few years. Last year it said it intended to step up its efforts to develop the morihund MBO market in Japan.

But the enduring reluctance of big Japanese companies to dispose of any of their subsidiaries suggests that, in the foreseeable future, any business is likely to come mainly from foreign companies, such as Swire, and from smaller Japanese

"Larger Japanese companies tend to be more preoccupied with sorting out their own basket-case subsidiaries, and are less interested in the possibilities of management buy-outs of moderately successful companies," 3I said.

Gerard Baker, Tokuo

### Hongkong Telecom in Taiwan deal

Hongkong Telecom, the colony's former monopoly supplier of domestic fixed-line telecommunications, has taken a 26 per cent stake in Taiwan Telecommunication Network Services, the biggest private value-added telecoms service operator in Taiwan. TTNS is a private company, and Hongkong Telecom did not disclose the cost.

The deal is in line with Hongkong Telecom's desire to exploit opportunities in Taiwan and diversify its business away from Hong Kong, where competition has grown on all fronts, including international calls and mobiles. Hongkong Telecom, which is majority owned by Cable & Wireless of the UK, lost its exclusive domestic franchise last July and has seen its international monopoly eroded by call-back services run by, among others, the three new entrants to the domestic

TTNS plans to become a full service provider once the industry in Taiwan is fully deregulated. This year it plans to apply for paging and very small aperture terminal (VSAT) licences and, in 2001, long distance and IDD licences. Louise Lucas, Hono Kono

### Singapore Land slips on tax rise

Singapore Land, one of the country's higgest owners of commercial properties, recorded a fall in net profit of 3.9 per cent to S\$82.4m (US\$58.6m) for the year ended December

Revenue was S\$132.8m. against S\$132.1m. The company's net tangible asset value rose 14 per cent to S\$10.84. Its shares closed 30 cents higher yesterday at \$\$10.30. Singapore Land, part of United Industrial, said average occupancy in its investment properties rose marginally to 97

per cent as a result of continued demand and shortage of prime office space, It added that operating profit fell because of higher property taxes. However, it said the office rental market looked encouraging and it hoped to maintain its profits. The dividend is unchanged at 10 cents.

AP-DJ.Struapor

ANNUAL GENERAL MEETING

to be held on Monday, 29th April, 1996, at the offices of Robeco Antillen N.V. Pietermaai 24, Willemstad, Curação (Netherlands Antilles), at 10.30 hours

To receive and adopt the Report of the Management Board for the financial year 1995

To receive and adopt the Annual Accounts for the financial year 1995

To determine the appropriation of the profit

5. To determine the remi

Supervisory Directors

6. To compose the Board of Supervisory Directors

OF SHAREHOLDERS

AGENDA

1. Opening

# Henderson Land upbeat after first-half rise

By Louise Lucas in Hong Kong

one of Hong Kong's biggest property groups, yesterday reported a 5.6 per cent rise in tic note for the full year.

earnings.

Amcor, the Australian paper

and packaging group with

growing interests in Europe

and North America, is to

invest A\$380m (US\$294m) to

expand its fine-paper manufac-

turing facilities in Victoria and

Tasmania. The money will be

spent over three-and-a-balf

Amcor said it would build a

160,000 tonne-a-year paper

machine, to produce printing

and writing papers at Maryvale

in Victoria from September

1998. To support the increased

production, it will expand

eucalyptus plantations in the

By Nikki Tait

Amcor to expand

paper production

3m so ft.

Mr William Wong, company

slight pick-up. Earnings per share improved. 5.8 per cent, from HK\$2.38 in the final six months of 1994 to HK\$2.51 in the same period last year. Directors are recommending a 20 per cent increase in the dividend, from 50 cents to 60 cents.

Mr Wong was optimistic for the full year, pointing to falling interest rates and the con-

Commonwealth Bank of

Australia warned that its

favoured plan to buy back

A\$1hn (US\$774m) of shares

would depress earnings in the next financial year. CBA said last May it was

considering the buy-back,

shortly after the then Labor

federal government announced plans to float off its remaining

50.4 per cent stake in the bank

on the stock market. The sale

is expected to raise about

Since then, Labor has been

replaced by a conservative coalition government, but the

new administration is eager to

pursue the sale as quickly as

A\$4bn for the government.

By Nikid Tait

in Sydney

grow - a good balance for developers.

its newly spun-off arm for China property projects which now has 22 developments. Trading in Henderson China

CBA warns on share buy-back possible. CBA said yesterday it

> But It warned that if It pursued the huy-back option which would make the government's sales task significantly easier - earnings in 1996-97 would be reduced by about A\$48m after tax.

ernment

was bolding talks with the gov-

Nevertheless, directors said they still favoured the move, pointing out that it would increase earnings per share and lift the return on shareholder funds. Last month, the bank

warned that pressure on earnings was likely in 1996-97, but profitability should "remain satisfactory Yesterday, it explained that

next year's earnings growth

March 1996

would be "positive but modest". But it could not "rule out the possibility of significant new price competition in the domestic home loan market. For each 10 basis points reduction in the hank's margin on standard variable home loans. the initial annualised after-tax effect on earnings would be a reduction of np to approxi-

This would improve to approximately A\$5m over the next two years, because of "off-setting changes in interest margins generally".

mately A\$12m.

In the last financial year, CBA made an after-tax profit of A\$983.2m. In the first half of 1995-96 It reported profits of A\$541.9m, up 19.3 per cent on the same period a year earlier. | markets.

# ROBECCECEC

# XEIKON

All of these securities having been sold, this advertisement appears as a matter of record only

7,360,000 American Depositary Shares

Representing 7,360,000 Bearer Shares of Common Stock

This portion of the underwriting was offered outside the Laured States by the undersigned

2,208,000 American Depositary Shares

ALEX. BROWN & SONS

COWEN & COMPANY

PRUDENTIAL-BACHE SECURITIES

**ABN AMRO HOARE GOVETT** 

DEUTSCHE MORGAN GRENFELL

BANQUE BRUXELLES LAMBERT S.A. INDOSUEZ CAPITAL

KB-Securities Stockbrokers

ROBERT FLEMING & CO. LIMITED

SBC WARBURG A DIVISION OF SWISS BANK CORPORATION

This portion of the uniderscriping was offered in the United States by the undersigned.

5,152,000 American Depositary Shares

ALEX. BROWN & SONS INCORPORATED

COWEN & COMPANY

PRUDENTIAL SECURITIES INCORPORATED

DEAN WITTER REYNOLDS INC. LEHMAN BROTHERS

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION MERRILL LYNCH & CO.

HAMBRECHT & QUIST LLC J.P. MORGAN & CO.

OPPENHEIMER & CO., INC. SALOMON BROTHERS INC

PAINEWEBBER INCORPORATED ROBERTSON, STEPHENS & COMPANY LLC SMITH BARNEY INC. SCHRODER WERTHEIM & CO.

ADAMS, HARKNESS & HILL, INC.

ARNHOLD AND S. BLEICHROEDER, INC.

AUERBACH, POLLAK & RICHARDSON, INC.

LADENBURG, THALMANN & CO. INC.

COMMONWEALTH ASSOCIATES

CROWELL, WEEDON & CO.

FURMAN SELZ

PIPER JAFFRAY INC.

JANNEY MONTGOMERY SCOTT INC. RAYMOND JAMES & ASSOCIATES, INC.

UNTERBERG HARRIS

VAN KASPER & COMPANY

WHEAT FIRST BUTCHER SINGER

ROBECO N.V. (investment company with a variable capital)

ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held on Friday, 26th April, 1996, 31 Concert and Congress building "de Doelen", entrance Kruisplein 30, Rotterdam, at 9,30

1. Opening

 To receive and adopt the Report of the Management Board for the financial year 1995 To receive and adopt the Annual Accounts for the financial year

the profit To compose the Board of Supervisory Directors

6. To compose the Board of Directors

. Any other business

AGENDA

6. To compose the Board of Directors 7. Any other business

ROLINCO N.V.

ar the door of the Meeting Hall together with the receipt exchanged for the Sub-share Certificates or Certificate of Deposit.

State Continuous of Cultivate to Deposit.

Beneficial owners of Sub-shares registered in any name other than that of National Provincial Bank (Noniness) Limited, holders of Registered Full Shares and Shareholders who maintain a Shareholder's Account with the Company wishing to attend and vote at the Meeting of to appoint a proxy to attend and vote in their stead, must signify their intention in writing to the Secretary of Robeco N.V. or Rolinco N.V. (whichever is applicable), Coolsings 120, NL-3011 AG Rotterdam, Netherlands to arrive not later than Priday, 19th April 1964.

ROTTERDAM Dated this 27th day of March, 1996

RORENTO N.V. (investment company with a variable espital) variable capital)

ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held on Friday, 26th April, 1996, at Coocert and Congress building "de Doelen", entrance Kruisplein 30, Rotterdam, at 11.45 SHAREHOLDERS to be held on Friday, 26th April, 1996, at Coocert and Congress huilding "de Doelen", entrance Kruisplein 30, Rotterdam, at 14.30

1. Opening To receive and adopt the Report of the Management Board for the financial year 1995

 To receive and adopt the Annual Accounts for the financial year 1995 4. To determine the appropriation of

5. To compose the Board of Supervisory Directors

Copies of the full ageodas and of the Annual Reports for 1995 can be obtained from National Westminster Bank PLC, Nat West Investments, Centralised Securities Office, Basement, Juno Court, 24 Prescor Street, London E1 BBB or Robeco U.E. Limited, 4 Carlos Place, Mayfair, London W1Y 5AE, Telephonet 123, 169, 1867.

Holders of Bearer Share Certificates desirous of attending or being represented at the Meeting, should lodge their Certificates by hand (postal deliveries will not be accepted for voting purposes) with the National Westminster Bank PLC, Nat West Investments, Centralised Securioss Office, Basement, Juno Court, 24 Prescot Street, London E1 8BB (between the hours of 10 a.m. and 2 p.m.) in exchange for a receipt, not later than Friday, 19th April, 1996.

Beneficial owners whose Bearer Share Certificates are presently deposited with a Bank must obtain a Certificate of Deposit signed by the Bank as evidence that such Bank is holding the Certificate. Certificate of Deposit must be lodged against receipt, by that Bank, with the National Westminster Bank PLC, in accordance with the requirements stated above.

The receipt for Bearer Share Certificates or Certificate of Deposit will constitute evidence of a shareholder's entitlement to attend and vote at the Meeting and should be presented at the door of the Meeting Hall. If a holder desires to appoint a proxx, who need not be a member of the Company, to attend and vote in his stead, a form of proxy may be obtained from the National Westminster Bank PLC as above and this form of proxy must be presented at the door of the Meeting Hall together with the receipt for the Bearer Share Certificates or Certificate of Deposit.

Beneficial owners of Sub-share Certificates registered in the name of National Provincial Bank (Nominees) Limited desirous of attending or being represented at the Meeting must obtain a receipt or Certificate of Deposit in the same way as holders of Bearer Share Certificates. If they desire to attend the Meeting in person or to be represented they must obtain a form of proxy signed by National Provincial Bank (Nominees) Limited, which form must be presented whe door of the Meeting Limited, which form nuts the presented when the first property of the Sake North Provincial Bank (Nominees).

Service contracts are not entered into with the Directors, who hold office in accordance with the Articles of Association. BY ORDER OF THE MANAGEMENT

RORENTO N.V. (investment company with a variable capital)

INFORMATIVE MEETING FOR

AGENDA

2. To discuss the Report of the Management Board for the financial year 1995 ). To discuss the Annual Accounts for the financial year 1995

4. To discuss the appropriation of the profit 5. To discuss the remuneration of

b. To discuss the composition of the Board of Supervisory Directors 7. To discuss the composition of the Board of Directors

7. To compose the Board of Directors 3. Any other business 8. Any other business Holders of Bearer Share Certificates desirous of attending or being represented at the above stated Meetings, should lodge their Share Certificates by hand (postal deliveries will oot be accepted) with the National Westminster Bank PLC, NatWest Jovestments, Centralised Securities Office, Basement, Jono Court, 24 Prescot Street, London E1 8BB (between the hours of 10 a.m. and 2 p.m.) as follows INFORMATIVE MEETING - NOT LATER THAN FRIDAY, 19TH APRIL, 1996. ANNUAL GENERAL MEETING - NOT LATER THAN-MONDAY, 22ND APRIL, 1996, IN EXCHANGE FOR A RECEIPT

Beneficial owoers whose Share Certificates are presently deposited with a Bank must obtain a Certificate of Deposit signed by the Bank as evidence that such Bank is holding the Share Certificates. This Certificate must be lodged against receipt, by that Bank, with the National Westminster Bank PLC, in accordance with the requirements stated above.

The receipt for the Share Certificates or Certificate of Deposit will constitute evidence of a shareholder's entitlement to attend and vote at the The receipt for the Share Certificates or Certificate of Deposit will constitute evidence of a shareholder's entitlement to attend and vote at the Meeting and should be presented at the door of the Meeting Hall. If a holder desires to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead, a form of proxy may be obtained from the National Westminster Bank PLC as above and this form of proxy must be presented at the door of the Meeting Hall together with the receipt for the Share Certificates or Certificate of Deposit.

Shareholders who maintain a Shareholder's Account with the Company, wishing to attend either or hoth Meetings or to appoint a provy in their stead, must signify their intention in writing to the Secretary, Rorento N.V. c/o Avirento B.V., Coolsingel 120, NL-3011 AG Rotterdam, Netherlands to arrive not later than the dates indicated above.

Although proxies may attend, votes will not be cast at the Informative Meeting.

Copies of the full agendas and of the Annual Report for 1995 can be obtained from National Westminster Bank PLC at the address shown above or Robeco U.K. Limited, 4 Carlos Place, Mayfair, London WIY 5 A.F., Tel: 0171-409

Service contracts are not entered into with the Directors, who hold office it accordance with the Articles of Association. 8Y ORDER OF THE MANAGEMENT ST MAARTEN

Dated this 27th day of March 1996.

do dividend

### **NEWS DIGEST**

رُبِ بِي كَنْ تَعْمِدُ مِنْ مُولِّ وَالْمُولِ الْمُعَالِّينِ مِنْ الْمُعَالِّينِ مِنْ الْمُعَالِّينِ الْمُعَالِ

MARCH 27 199

plete

venture capital

one of Japan's leading

s largest Japanese

m, and this project

computer software

be Hong Kong-based al in in the country

small in comparison

ealed, hut Transfer

3I in Tokyo said the

to be a succession of Last year it said it

the morrhund MBO

ancse companies to

to come mainly from

om smailer Japanes

more preoccupied

ibsidiaries, and are

agement buy Miss

Gerard Baker, Tab

faiwan deal

nonopoly supplier,

has taken a 26 per

Network Services

service operator m

Hongkong Telecom

com's desire to

wife its business

a has frown in all

nobiles Hongkons ile & Wireless of the

last July and has

y call-based services

arms to the domestr

aviden thre the

 $(\mathbf{D}_{i})_{i \in \mathcal{M}_{i} \in \mathcal{C}_{i}}$ 

his year it plans to terminal (VSAT)

ise Lives . Hong Eas

tax rise

Ball of Vieta of ner innen file per school D-remiter

d Time ..... Dany's ge

Mint in bares

hi suno average ger markingly to 97

arket iken om C. Tae Liddend

RENEED MEETING

 $H^*(\Gamma, d, S_{\sigma})$ 

sts that, in the

# Property families in US retail merger

Two of the wealthiest real estate families in the US have announced a plan to merge their publicly-traded retail property holdings, in a move that would form a shopping centre group with 110m sq ft of retail space. The deal brings together the DeBartolos, an Ohio-based dynasty whose late founder. Mr Edward DeBartolo, is credited with having invented the shopping mall, and the Simon brothers from neighbouring Indiana.

Both families, while retaining large stakes, sold interests in their retail property holdings to the public two years ago. The deal will leave shareholders in Simon Property Group, controlled by Melvin and Herbert Simon, with majority control of the new entity. Shareholders in DeBartolo Realty, by contrast, will hold about 40 per cent of the stock.

Both sides, however, depicted the all-stock deal as a merger rather than a takeover. The DeBartolo group said members of the family, which owns the San Francisco 49ers football team, intend to retain their investments in the group. The enlarged company, which will be known as Simon DeBartolo Group, will own 111 regional shopping centres, 66 community centres and six specialist retail centres. The two sides said a merger would enable them to cut costs and enhance growth.

Shareholders in DeBartolo have been offered 0.68 of a Simon share for each share they hold, or just over \$16 based on Simon's share price of \$23% yesterday morning. The news prompted DeBartolo's shares to rise \$% hy midday, to \$15%. According to DeBartolo, the deal values the group's equity at \$1.4bn, while Simon is worth \$2.3hn. The two real estate investment trusts carry deht of \$1.6bn and \$2.2bn, respectively. Richard Waters, New York

### Setback for Merck drug

Merck, the largest US drugs company, has issued a warning on its osteoporosis drug Fosamax, which was approved late last year. The company has told doctors that some patients have developed potentially serious stomach irritations as a result of using the treatment. It suggested that some patients developed problems because the drug was not being taken as the label describes, with plenty of water.

Fosamax has been tipped by drugs sector analysts as a potential \$1hn-a-year product, not least because osteoporosis is largely a disease of the elderly, a group increasing as a proportion of the whole population.

Any serious damage to the sales prospects of Fosamax could be an opportunity for rival drugs, made by companies including Sandoz of Switzerland and Sanofi of France, to increase their market share.

However, analysts yesterday played down the significance of the warning. The possibility of gastric upset had been identified as a potential problem from clinical trials, but more patients appeared to be suffering from it than predicted by

### Calgary energy group in play

Calcary-based Scentre Resources has put itself up for sale, the latest move in a spate of takeovers and mergers in western Canada's energy industry. The mid-sized oil and gas producer said it had hired Richardson Greenshields, a securities firm, to examine alternatives to "enhance shareholder value".

Sceptre has a market value of about C\$540m (US\$396.6m). Its share price has climbed from C\$6.62 to C\$9.50 since last November, fuelled by higher commodity prices and rumours of a takeover. Three Quebec agencies own 33 per cent of the shares, while the rest are widely held:

One possibility mentioned by industry analysts is that Sceptre could be turned into a "royalty trust", which pays out cash flow from oil and gas production to shareholders instead of re-investing it in exploration and development. Sceptre produces about 160m cubic feet of natural gas and

22,000 barrels of oil and liquids a day from wells in Saskatchewan, Alberta and British Columbia. Last year's cash flow totalled C\$103m. Earnings were C\$2.2m, down from Bernard Simon, Toronto

### Danone expands in Brazil

French food group Danone has bought a 25 per cent stake in Brazilian biscuit maker Aymore. Financial details were not disclosed. "Danone Group has joined forces with the Ballesteros family to invest in Brazil's Aymore. The two partners' combined interest will total 50 per cent held

equally," the company said.

With 1995 sales of more than \$110m, Aymore controls some per cent of the Brazilian market, the world's fourth higgest biscuit market.-Danone is already in Brazil as a shareholder of biscuit company Campineira de Alimentos. It now becomes Brazil's second-largest biscuit group with a yearly production of 120,000 tonnes. In 1994, Danone bought Bagley, Argentina's leading producer of biscuits. Reuter, Port Reuter, Paris

### Elecar slices dividend

Electricidad de Caracas (Elecar), the Venezuelan utility, announced net profits of Bs3L64bn (\$71.2m) for the year ended December 31 1995, down from Bs58.62bn the year before. The company paid a dividend of Bs9.6 a share for 1995, down from

Mr Francisco Aguerrevere, president, who was confirmed in his post for another two years, hlamed the fall on the generally poor economic state of the country. He said Elecar had suffered a revenue shortfall of Bs8.6bn so far in 1996, due to a freeze on electricity rates since last year. The company reduced its staff by 132 employees last year and has had to hold investments for 1996 to Bs26bn.

Raymond Colitt, Caracas

# Norcen disposals gather pace

Norcen, the energy arm of Toronto's Hees-Edper group, has completed the sale of C\$160m (US\$117.5m) of non-essential assets and plans to sell C\$110m more, including properties in Australia, New Zealand and Indonesia. Norcen is concentrating on western Canada, the Gulf of Mexico and its Venezuelan and Argentine properties.

■ Sidbec, the former Quebec-owned steelmaker acquired in August 1994 by the Ispat international mini-mill group, posted record 1995 net profit of C\$103.8m, up 72 per cent from C\$60.5m in 1994. Sales rose 17.5 per cent to C\$811m and shipments were up 6 per cent to 1.4m tonnes. The gains were due to rising efficiency and an improved product mix.

■ Cedar, the Canadian-based engineering, steel products and construction group with contracts in Asia, has bought more than 51 per cent of McConnell Dowell, an Australian engineering and design firm also operating in Asia. Cedar, which includes Dominion Bridge, a big Canadian steel fabricator, is paying about US\$30m for 60 to 65 per cent of Dowell's shares. Cedar, including Dowell, will have annual Robert Gibbens, Montreal revenues of well over US\$500m.

# CSFB loses Wade to Lehman

A former Credit Suisse First Boston managing director has joined Lehman Brothers to head the private placements and capital markets project finance group. Mr Brian Wade resigned from CSFB last Thursday, adding to the wave of departures from the fixed income department after disappointment with bonuses awarded for 1995. He is the seventh person to join Lehman from CSFB this month.

Mr Wade was at CSFB for 12 years and worked on more than 25bn of transactions, Lebman said. His arrival at Lehman will help the investment bank expand its private placement capabilities, particularly in the area of capital markets project

Last week CSFB announced a reorganisation of its fixed income department with the aim of making it clearer how compensation would be awarded. The bonuses for 1995, announced to staff in February, were cut because of losses in Maggie Urry, New York mortgage-backed securities.

### **COMPANIES AND FINANCE: AMERICAS**

# Sumitomo joins Newmont venture | Surge in cellular

By Kenneth Gooding, Mining Correspondent

Newmont Gold of the US has selected Sumitomo Corporation of Japan to be its partner in the Batu Hijan project in Indonesia, which they will develop into one of the world's higgest copper-gold mines at a cost of US\$1.5bn.

Sumitomo will take 35 per cent of Batu Hijau; Newmont's stake will be reduced from 80 to 45 per cent; an Indonesian company, PT Pukuafu Indah. will have the other 20 per cent.

Newmont has already spent \$70m on the project and Sumitomo will pay its share of this when the deal is completed. The Japanese group will also pay an additional \$100m towards Newmont's share of future development and con-As well as funding its 35 per

CESP, the Brazilian electricity

generator and distributor con-

trolled by the state of São

Paulo, yesterday announced a

sharp swing from profit into

loss, despite a restructuring

CESP reported a R\$193.7m

(US\$196.1m) loss in the year to

December 31, compared with a

profit of R\$442.2m in 1994.

However, comparing the two

figures is complicated by sharp

swings in Brazil's inflation and

exchange rates during the two

By Angus Foster

SOUTH CHINA SEA PACIFIC DEEAN

cent of the total costs, Sumitomo will provide or arrange for 60 per cent of the project's financing requirements. Up to

The Batu Hijau deposit. located in the sonth-western part of Sumhawa Island, 1.500km east of Jakarta, contains a resource of 11.2hn pounds of copper and 14.7m

periods. CESP benefited in 1994 from R\$1.16bn of inflation and

exchange rate gains, when the

Brazilian Real appreciated

against the US dollar and so

earned the company account-

ing profits on its dollar debt.

Those earnings dried up last

year, when the Real fell

against the dollar, and were no

longer sufficient to make up

culties, CESP managed to

reduce its operating losses

from R\$569.8m to R\$455.3m,

despite a 12 per cent increase

Ignoring the accounting diffi-

for CESP's operating losses.

troy ounces of gold. Newmont said construction

would take three years, after which Batu Hijau was expected to produce about 222,000 tonnes of copper and 500,000 cz of gold annually for 20 years. making it higger than most other copper or gold producers. Newmont and Sumitomo will jointly operate the mine.

in interest costs to R\$456.7m. CESP said the results

obscured progress made during

the year to restructure. The

company is one of three which

the state government is seek-

ing to reorganise and prepare

for privatisation, once new laws are approved in the state

CESP cut its staff by 32

per cent in the year to just

over 13,000 people; manage-

ment and other costs were

cut hy even more. The finan-

cial benefits of these reduc-

tions will show through this

and federal legislatures.

Although it is the richest dis-covery Newmont has made in its long history, Batu Hijau posed problems for the company. It is in a remote area, so the capital requirements are significant and are needed at B time when Newmont has heavy commitments on other projects. Also, Newmont divested its copper operations some years ago to become a 'pure" gold company - one of the higgest in the world thanks to a series of rich deposits it discovered on the Carlin Trend

promise for Newmont.

Apart from an open-pit mine and mill, the partners will have to develop an infrastructure including employee hous-ing, a port and electrical gener-ation facilities.

year, the company said.

subsidiary CPFL.

R\$1.93hn in 1994.

Core energy services operations, excluding subsid-

iaries and financing costs,

increased profits 37 per cent to

R\$234.7m, the company added.

The figures were undermined

hy an R\$99.5m pension loss at

Eletrobrás, the government-

### in Nevada Analysts suggested vesterday the deal with Sumitomo represented a reasonable com-

Currency losses push CESP into red

last time's figure. Analysts see further scope for cellular growth, because of under-investment in the past. In São Paulo alone, the waiting

controlled holding company for much of Brazil's electricity secmore than Im names. tor, announced a sharp fall in profits last year. Net profits fell to R\$546.9m in the year to December 31, compared with

# sales drives 18% rise at Telebrás

By Angus Foster in São Paulo

Growth in cellular services helped drive an 18 per cent increase in consolidated net profits at Telebrás, Brazil's state-controlled telecommunications company.

The company said pre-tax profits rose from R\$684.2m in 1994 to R\$809.5m (US\$819.5m) in the year to December 31 1995. A tariff restructuring. which was announced late last year and is expected to swell Telehrás' income from standing charges, had little effect on the results but should under-pin this year's performance.

Analysts said profits were in line with expectations, but cautioned that the company's bal-ance sheet and holding company accounts were not yet

Turnover growth of 6.9 per cent, to R\$8.62hn, was attributed to a contribution from cellular services which more than trehled to R\$1.41hn from

list for cellular connections has

Revenues from local traffic on Telebrás' network increased slightly, but income from long-distance and international services fell. This was blamed

on a tariff reduction in late 1994, which led to big increases in traffic hut lower revenues. International traffic rose 44 per cent from 1994.

Telehrás said it installed 2.3m new connections during the year, including 809,000 cellular points. Installed connections rose 18 per cent to 15.2m, hut left Brazil still far behind neighbours such as Argentina in per-capita installation.

The company said there had been a slight improvement in its congestion rate, which measures calls which are uncompleted because of an overhur-dened system. Telehrás said it lifted total investment last year by 9 per cent to R\$4.5bn. There was also a small fall in employees to 92,500 but wage

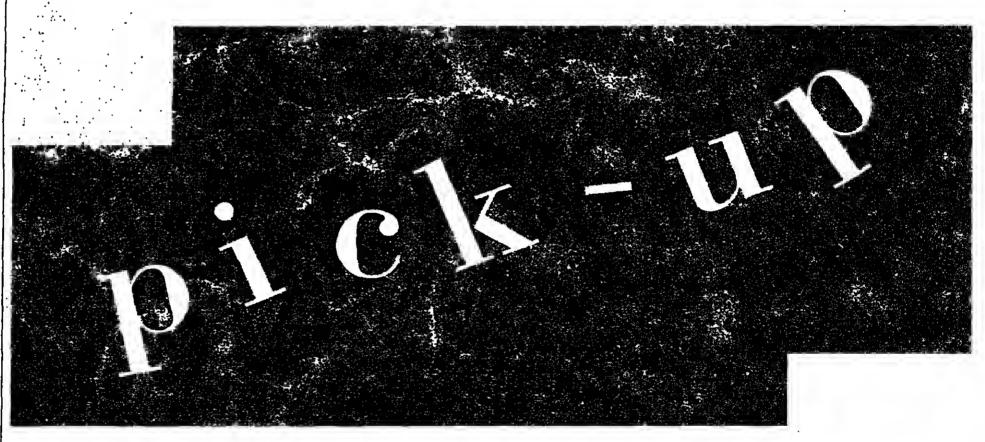
costs rose sharply following a 19 per cent collective pay rise. Net deht fell more than R\$300m to R\$6.4bn, or 22 per cent of net assets, which

increased 8.5 per cent to R\$34.2hn.

Telebrás is to propose increased dividends of R\$1.539 per block of 1,000 preference shares and R\$0.385 per block of ordinaries. Dividends for both Brazil's government is study-

classes were R\$0.313 last year. ing ways to increase competition in the telecoms sector, and a possible break-up of Telebrás into regional holding companies.

# You want a



on yield. Especially if you are an institutional investor seeking long-term diversification in D-Mark fixed-interest securities. And a pick-up is exactly what you get with German Pfandbriefe. In fact, usually between 10 and 50 basis points over German Treasury bonds (Bunds) with the yield rising at the longer end of the maturity curve - a significant difference as long as safety is not compromised. Asset quality is a hallmark of German Pfandbriefe, bonds issued to finance mortgages or public-sector loans. Thanks to the stringent regulatory framework of the German Mortgage Bank Act, Pfandbrief investors have never missed an interest or principal payment. An unsurpassed record for safety in a sector that accounts for 40 % of the entire DM 3 trillion German bond market. The benchmarks Price Index PEX and the Performance Index PEXP add transparency to the Pfandbrief market.

For further information about German Pfandbriefe please contact The Association of German Mortgage Banks (VDH) in Bonn, Fax (228) 9 59 02 44.

The German Pfandbrief Solid from the ground up

### **GERMANY'S MORTGAGE BANKS**

- DEPFA-BANK, WIESBADEN BAYERISCHE VEREINSBANK AG,
- HYPO-BANK MÜNCHEN
- FRANKFURTER HYPOTHEKENBANK
- DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT RHEINHYP, FRANKFURT

CENTRALBODEN AG. FRANKFURT

- DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
- BAYERISCHE HANDELSBANK AG.

HAMBURGHYP, HAMBURG

- MÜNCHEN WESTHYP, DORTMUND
- MÜNCHENER HYPOTHEKENBANK EG, MUNCHEN SUDDEUTSCHE BODENCREDITBANK AG,
- WÜRTTEMBERGER HYPO, STUTTGART
- BERLIN-HANNDVERSCHE
- HYPOTHEKENBANK AG, HANNOVER HYPOTHEKENBANK IN ESSEN AG,
- BERLIN HYP, BERLIN ALLGEMEINE HYPOTHEKENBANK AG,
- FRANKFURT NÜRNBERGER HYPOTHEKENBANK,
- NÜRNBERG
- DEUTSCHE HYPOTHEKENBANK (ACT.- GES.], HANNOVER
- RHEINBODEN HYPOTHEKENBANK AG.
- LÜBECKER HYPOTHEKENBANK AG, LÜBECK
- NORDHYPO BANK, HAMBURG
- CLF HYPOTHEKENBANK BERLIN AG.
- BFG·HYPOTHEKENBANK AG, FRANKFURT
- WL-BANK, MÜNSTER
- M.M. WARBURG & CO HYPOTHEKENBANK AG, HAMBURG
- WUSTENROT HYPOTHEKENBANK
- AKTIENGESELLSCHAFT, LUDWIGSBURG

# Charter seeks purchase to cut Esab dependence

Charter, the industrial engineering group, is contemplating a big acquisition to reduce its dependence on Esab. the Scandinavian welding products business, acquired for

£445m (\$680m) in 1994. The company, which yesterday reported a sharp increase in profits, said such a deal was tikely to be financed with a mixture of deht and equity and should be completed within the

next 12 months. Mr Jeffrey Herbert, chief executive, said: "We are not looking at small bolt-ons but one of several hig companies." He added that the group recently came close to making a takeover offer but "engaged reverse gear" to avoid earnings

dilution. He was speaking after strong contributions from Esab helped lift pre-tax profits to £97.5m last year, against £54.8m in the nine months to December 1994. In its first full year within Charter, Esab

Meggitt, the restructured engineering group, yesterday

announced goodwill write-offs

totalling £37.6m (\$57m) follow-

ing a raft of disposals and

plant closures. The company.

which bas sold 12 subsidiaries

and closed two non-core busi-

nesses in the past year, said the write-offs signalled the final phase of its transition

from a diversified manufac-

turer to one focused on aero-

space, electronics and controls.

be completed later this year

tic Fabricating, Meggitt's loss-

making aerospace components

business. Although Meggitt is

considering an offer from a US

buyer, it has set aside a £19.9m

provision to cover goodwill

That process is expected to

Write-offs push

Meggitt into loss

reported operating profits of £74.6m, compared with a 19week contribution of £30.3m.

That improvement was fuelled by growing demand in Italy, Scandinavia and the UK - offsetting mixed trading in

ing the sale last year of its coal division and its Hargreaves Quarries business. Those dis-posals, along with £46.9m in deferred proceeds from the sale of its Johnson Matthey stake, raised £720.8m.

That enabled the group to reduce net borrowings from £186.8m to £40.1m, equivalent to gearing of 17 per cent at the

Notwithstanding an acquisition. Mr Herbert predicted gearing would fall further this year following improved casb performances from Esab and Charter's two other operating divisions: rail track equipment

write-offs and closure costs if

Provisions against Plastic

Fabricating helped push excep-

tional charges up to £39.8m.

leaving the group with pre-tax losses of £21.4m (£14.8m profit).

Meggitt bas agreed to pay

£360,000 compensation to Mr

Nigel McCorkell, who resigned

as deputy chairman in Janu-ary. Although his departure was said to be amicable, some

the deal falls through.

### Germany and Brazil. While it is scrutinising acquisition candidates. Mr Herbert said Charter was not planning further disposals follow-

cheered by the group's optimistic comments about prospects as well as a 50 per cent rise in the final dividend to 2.25p. The interim had been held at 0.75p.

The shares, which have risen by almost 50 per cent since the beginning of November, rose 11p yesterday to 149p. Mr Colin Parsons, chairman,

By Andrew Taylor,

erty businesses.

Construction Correspondent

Taylor Woodrow yesterday

signalled plans to sell about a

third of its £350m (\$535m) UK

commercial property invest-

ment portfolio as part of a

tional construction and prop-

to £100m of commercial prop-

rise in operating profits last year to £52.9m.

The stock market was also

over the next 18 months.

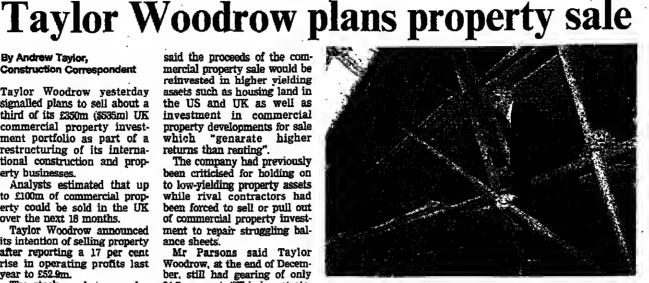
said the proceeds of the commercial property sale would be reinvested in higher yielding assets such as housing land in the US and UK as well as investment in commercial property developments for sale which "genarate higher returns than renting".

Market cheered by optimistic comments on prospects

restructuring of its interna-The company had previously been criticised for holding on Analysts estimated that up to low-yielding property assets while rival contractors had erty could be sold in the UK been forced to sell or pull out of commercial property invest-Taylor Woodrow announced its intention of selling property after reporting a 17 per cent ment to repair struggling bal-

Mr Parsons said Taylor Woodrow, at the end of December, still had gearing of only 24.7 per cent. "This is a strategic decision. It is not a fire sale and we will not sell properties unless we receive a realistic

In the year to December 31. pre-tax profits slipped from £50.8m to £46m after allowing for the sale of the group's remaining stake in Eurotunnel Sale of the shares raised just



Colin Parsons: property proceeds to be reinvested in other assets

£1.3m last year compared with £7.7m in 1994. More than 60 per cent of operating profits were generated outside the UK. Mr Parsons said bouse sales had risen on hoth sides of the Atlantic since the beginning of this year. He was optimistic

about prospects for the struggling construction division which last year lost £8.9m after a £8.3m restructuring charge in the UK.

The group had set itself a target of breaking even in UK

# Halifax BS considers further buys

By Alison Smith,

stment Correspondent

Halifax Building Society, the UK's largest mortgage lender, has signalled an interest in making further acquisitions after its

planned flotation next year.

The society recognises that it may be overcapitalised, even after it has agreed with the Bank of England the proportion of reserves it must set aside to protect savers' funds as part of the flotation. Discussions on the "priority liquidation

distribution reserve" are likely to be concluded in the near future, so that the society can decide how to adjust its capital

base. It could issue subordinated debt, or raise fresh equity on flotation.

Mr Jon Foulds, chairman, said yesterday

that it would be strategically edvantageous to have surplus capital "at a time of considerable rationalisation in the personal financial services industry.

"It's a question of the credibility of the

management about bow wisely that would be used," he said. The signs are that the group would look for a deal that brought economies of scale, or contributed a new area of expertise, for example in the general insurance field.

On Monday, Halifax announced its plan to acquire Clerical Medical, a mutual life

assurer, for £800m (\$1,23bn) in an agreed deal. The payment would be in cash and have little impact on its capital ratios.

Its results for the 12 months to January 31, announced yesterday, showed the society's general reserve had grown to £6.2bn (£4.3bn) and that its tier 1 ratio of core capital to risk-weighted assets stood at 13.8 per cent. Pre-tax profit rose 13 per cent to £1.1bn, passing £1bn for the first time, Looking ahead, Mr Foulds said that Hali-

fax was on course in its flotation plans, and intended to hold a special general meeting for members to decide on the move in the first quarter of next year,

# Hamleys plans overseas growth

By Peggy Hollinger

analysts said the "timing was not of his choosing". Mr Hamleys, the toy retailer, McCorkell was on a basic salyesterday announced a 13 per ary of about £180,000, with a cent jump in pre-tax profits three-year rolling contract. and unveiled plans to open reps abroad of its famous store in Regent Street, London. after Mr Mike Stacey, who

Mr Howard Dyer, chairman, became chief executive last said the group was expecting to open a smaller version of December, said order intake had slowed in the second half. the six-storey flagship store in . including exceptional credits of mainly for electronic systems

Gulf region in the next 18 months. If that proves successful, further selective town centre openings overseas are planned. Hamleys would seek a retail partner in each country to share development costs.

Mr Dyer's comments came as the group reported profits of £6.38m (\$9.76m) for the year to January 27, against £5.7m

"This is the fourth successive year of considerable growth with all outlets trading profitably and the company is in a strong financial position." he said. The group, which was Doated in 1994 with no net cash, saw balances increase from £3.7m to £7.3m over the

Mr Dyer said the Regent Street store had performed par-ticularly well, showing a 10 per tional terminals.

cent improvement in sales on the same amount of space. The stores in Covent Garden, London and Heathrow Airport reported like-for-like sales growth of 17 per cent. The ven-Schiphol in the Netherlands was also proving successful, and Mr Dyer said Hamleys now had the confidence to roll this format out to other interna-

# £45m war chest at Lloyd Thompson

By Ralph Atkins,

Lloyd Thompson. insurance broker, yesterday reported pre-tax profits up 14 per cent at £10.im (\$16m) in the six months to December and said it was well positioned to take advantage of expected

rationalisation in the sector. Mr Ken Carter, chief executive, said the group continued to hold £45m which could be used to develop the business. There were no specific plans but, "to have something like 40 per cent of one's market value represented by a 'war chest' of cash gives a strong sense of

Lloyd Thompson said insur-ance premium rates continued

to soften with particularly dramatic reductions for off-shore oil husinesses and some marine policies. However, the group managed to increase turnover by 8 per cent to

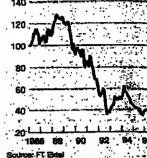
£23.1m (£21.3m). Mr Carter highlighted the progress made in acting as consultants, or reinsurance brokers, to large corporate clients such as Halifax huilding society or BT. The group has also started a joint venture with a Turkish broker to develop marine business.

Profits for the half year were boosted by strong investment income, up 39 per cent at £3.9m. The group warned that, with lower interest rates, that performance was unlikely to be

### LEX COMMENT

Taylor Woodrow's results provide compelling evidence that the best place to be in the UK construction industry is overseas. During the year, its UK division continued to make heavy losses. despite down-sizing. And while the large contractors remain confident that the Government's private finance initiative will bail them out - if only because fewer contractors can afford to compete - the benefits remain distant. The problem is that five years of recession in the industry have failed to erase much capacity, leaving

**Building & Construction** Relative to the All-Share



margins at razor thin levels. Contractors are at least concer trating more on niche markets rather than wholesale compet tion, but the recovery is going to be very slow. Taylor Woodrow's push into international markets, in both its construction and housebuilding divisions, was an obvious strategy, but the company has gone much further than most of its peers. The UK accounted for only 37 per cent of group profits in

1995, and in construction the overseas order book is now almost half the group total compared with 29 per cent in 1994. Of course, having escaped a crowded UK construction market, Taylor Woodrow will now find itself competing with the same names elsewhere. But at least it has moved into fast growing

The push offshore has created opportunities for reinvesting a chimk of its low yielding £350m UK property portfolio.

Property was a useful anchor when other earnings streams had dried up, hut there are undonbtedly better returns else where. And this should underpin its shares in what remain an unattractive sector.

# Barclays chief's payment up 13%

Mr Martin Taylor, chief executive of Barclays, which this week announced a further 1,000 redundancies in its retail . banking operations, received £791,000 (\$1.21m) in total remuneration last year, a 12.8 per cent rise on the 1994 figure

The rise, disclosed in Barclays, annual report, came as union officials rejected what they claimed was an offer of an average increase of 2.9 per cent in pensionable salary for some 50,000 non-managerial staff. Barclays, however, said the figure offered to all staff was 4.5 per cent.

Clay Horris, William Lewis and Jimmy Burns

### M&S looks at Asia expansion

Marks and Spencer is investigating the possibility of opening stores in Australia, Korea and Taiwan. The retail group, which has been expanding in Asia since 1988, said it was assessing

markets in the region.

Last autumn it opened a representative office in Shanchai to explore possibilities in China. There is a lot of potential for us in the Far East, said the company. But our immediate the least of the lease on its strategy lies in Europe." It recently secured the lease on its first German store and plans others in the Ruhr. Motoko Rich

# Job fears at Camas

More than a sixth of road surfacing workers employed by Camas, Britain's sixth largest aggregates company, could be axed over the next year as a result of government spending cuts, the company warned yesterday. "They [the government] are only delaying paying the repair bill which will becomeeven larger as road conditions become worse."

Mr Shearer made his attack as he announced a 25 per cent rise in pre-tax profits in 1995 to £24.1m (\$37m). Profits in the US last year fell to £9.72m (£11.78m) mainly due to weather related problems. Mr Shearer said he expected a better year in the US in 1996 as prospects for housing markets and general construction activity, improved.

# Lloyds TSB plans underwriter

Lloyds TSB is considering setting up a general insurance underwriting business to service the whole group. The move would replace the group's diverse arrangements through which various parts of the group sell policies of different

TSB, which merged with Lloyds last year, already has its own in-house underwriting husiness, but Lloyds sells insurance for commission through Lloyds Bank Insurance Services, a part of Lloyds Abbey Life, the life assurance group of which Lloyds is the main shareholder.

### This advertisement appears as a matter of record only

Funding of £221 million for the institutional purchase of New Look Limited.

Led, Negotiated and Arranged by **BZW Private Equity Limited** 

Institutional Equity Co-Underwritten by **BZW Private Equity Limited** Prudential Venture Managers Limited

Senior Debt led by Samuel Montagu & Co. Limited

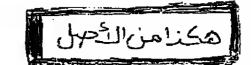
and co-underwritten by Bank of Scotland

Legal Advisers Cameron Markby Hewitt (Newco and Equity) Lovell White Durrant (Senior debt) Eversheds, London (Management)

Financial Advisers Coopers & Lybrand (Investigating Accountants) RESULTS

	Turnge	ver (Szz)		e-tax it (9m)	EP:	· 6 (p)	Current payment (p)	Date of payment	Dividends Corresponding dividend	Total for	Total last year
Allied Landon	13.3.	(12.10)	4.18	(5.89 )	3.9	(4.7)	1.18	July 1	1.18	· ·	4
Arcolectric Yr to Dec 31	15.4	(13.5)	1.15	(1.07)	12.58	(11.33)	0.802-	May 20	0.729	1.47	
Bart & WAT Yr to Dec 31	258	(261.)	4.64	(5.57♠ )	20.8	(22.3)	8	July 5	8	11	1.3365 11
Booth Inds 18 mins to Sep 30	11	(16.5 )	0.844♥	(2.12L <b>△</b> )	23.85 -	(52.52)	· nB		oit	nil	oli
Beacanore Intil §	71.9	(46.8)	11.1	(7.05)	23.5	(19,9)	3.68	May 24	3.105	5.28	- 4.48
Aum Stewart	27.3	(23.7)	1.45	(1.49 )	1.71	(1.73 )	1.7	May 17	1.7	320	5
Camas Yr to Dec 31	407.8	(449.9 )	24,1	(19.2)	5.47	(4.34 )	2.5	July 1	2.5	3.7S	3.75
Capital lods	89.1	(79.8)	6.5♥	(5 O14 )	16.3	(13.3 )	2.755	May 30	2.5	5.2	4.5
ССІ ф 17 maths to Dec 31	2.13	(-)	0.154	(- )	15.4	(-)	-		-	J.L	7-0
Charter Yr to Dec 31 🖈	1,128	(668.9 )	97.5	(54.8)	67.5	(39.4)	19	May 24	10.S	27.5	· 18
Churchill China	47.1	(42.4)	5.08	(3.57)	32.9†	(25.5 )	11.25	May 29	2.19	11.25	2.19
Sinical Computing Yr to Dec 31	2.36	(1.47 )	0.5471	(0.889L)	3.4L	(4.3L)	-	, 20	_15	بعداا	2.15
Country Casuals Yr to Jan 27	54.2	(50.5)	0.249	(0.987L)	0.0	(4.45L)	4	July 1	2.89	5.41	4.3
Aussins Property Yr to Dec 31	24.5	(23.9 )	1.71	(2.22)	8.7	(12.1)	2.45	May 24	2.35	3.9	3.75
EBC Yr to Dec 31	54.2	(54.8)	0.655	(5.03L)	3.7 -	(38.98L)	1.25	May 17	0.5	2.25	2.25
Smerald Energy § Yr to Sept 30	0.417	(0.328)	0.458L	(0.082L <b>♥</b> )	0.15L	(0.03L)	-				
BD ♣ Yr to Dec 31 ★	136.6	(119.9)	14	(13.3)	26.6	(22.73 )	3.773		3.275	6.7375	5.85
Searthouse	11.1	(7.4)	1.05	(0.826)	9.5	7.91	•	_	U.L.IU	- 2	2.03
Henchawton	15.4	(21.4)	0.677	(0.468L&)	2.13	(1.85L)	0.6	May 14	rail	.8.9	où
iolden Vale &	563.8	(507.3)	16.5	(12.8)	8.71	(6.67)	15	May 30	1.45	2.26	2.05
Lamievs Yr to Jan 27	30.1	(26.2 )	6,38	(5.65♥ )	18.3	(21.2 i	5.4	June 5	5	8.1	
AWS 4 6 roths to Jan 31	246	(226.5)	4,8	(3.47 )	2.79	(2.08 )	1.392	June 24	1.285	0.1	7
celandYr to Dec 30	1,375	(1,302)	72.6	(702)	17.01	(16,71 )	3.6	May 24	. 2.88	5.25	2.657
amont Yr to Dec 31	125	(142.9	9.69	(9.08	22.45	(20.13	9.15	July 1	9.15		4.2
Lloyd Thompson 8 mins to Dec 31	23.1	(21.3)	10.4	(9.14 )	B.34†	(7.75 )	3	May 17	2.75	12.8	12.8
Banchester United 8 mths to Jan 31	29.9	(36.4 )	15.3♥	(7.33)	18.3	(8.3.)	1.8	May 15	4.73 1.4	•	9
Heggitt	358.2	(345.5 )	21.5	(14.8 )	13.4L	(4.3 )	2.63	July 5	2.63	0.05	4.5
Milwall 6 mins to Nov 30	1.93	(1.56 )	0.376L	(0.113L)	0.11L	(0.03L)	-	July 3	- 203	3.93	3.93
*40 Yr to Dec 31	6.571	(5.990 )	320.4	(349.5 )	37.8	(38.5 )	17	June 10	17 .		
ressac 6 mths to Jan 31	31.2	(23.8)	2.28	(1.42)	3.981	(3.1)	0.99			30.5	30.5
	10.5	(9.4□)	4.33	(4.09 )	2.7	·· (2.88 )		May 23	0.9	-	3.5
Servamex Yr to Dec 31	25.6		2.37	(2.34 )	13.8		1.1	Aug 16	1 .	-	2.5
		(20.8 )	0.907		3.51	(15.2 j	52	May 17	4.9	., 7.5	7
Speciality Shops Yr to Dec 31	6.29	(4.54 )		(1.13)		(6.6 )	1.6	June 28	1.28	2.4	1,28
Taylor Woodraw Yr to Dec 31	1,154	(1,146)	46♥	(50.8♥)	7.5‡	(7.8)	2.25大	July 1	1.5	· 3	2.25
Thompson Clive Yr to Dec 31	0.762	(0.833 )	0,415	(0.549 )	23	(3.2)	3.8	June 6	3.8	3.8	3.8
OnliChem Yr to Dec 31	1,403	(1.325)	49.4	(44 )	19.3	(19.3)	5.3	July 1	4.7	В	7.2
Inited Carriers	127.5	(123.1)	1.86L	(1.85)	7.1L	(5.4)	1,6	May 17	3.3	3.2	4.9
John & Southern 6 mths to Jan 27 ★	4.81	(20.6)	0.274	(1.1 <b>7L</b> )	0.141	(1.45L)	តវ		n#i	-	nE
Waverley Mining 6 mins to Dec 31	0.342	(0.084)	0.168L	(0.044L)	0.4Ł	(0.24_)	na '	•	Dil.		rdi
Nescol	12.7	(10.8)	0.412	(0.271 )	0,9	(0.8)	0.3	May 30	0.25		0.75
Wolstenbolme Rick Yr to Dec 31	75.8	(B5.6 )	7.53	(6.12 )	65	(52.4 )	15	May 15	12.9	24	20.7

December 1995



### COMMODITIES AND AGRICULTURE

# Idaho environmental claims anger miners

By Kenneth Gooding

MARCH 27 19

g & Construction

90 92 94 8

rs are at least cones an wholesale comes ary slow. Taylor Woo

n poin its construct.

vious strates); but is

ent of group profit; s order book is in

ith 29 per cent in the

construction many

opering with the sp.

wed into fast gross

unities for reinvest

K property ports, her earnings sing

y better returns a

ares in what reman

cles .. its retail

e on the 1994 figure

COOFT. CLER'SS INC.

n offer that here my fire me 2000

the contract of

**xpansion** 

Seife : Terre e rolling and and

dat – seesing

01.61 - 12.12 M

date the rest

The House of Court

y : • : •: =:==i=i=i

7.00

19 C 15 15 4 08 080

1. July 11.22

500 000 18754

erwriter

74" A.J. P.2. (1

g 35 m. (fe. 45)

 $\rho_{\rm s} = \rho_{\rm s} + \lambda_{\rm s} A$ 

3. 4. CHIEVE

9 3 - 9 120 12 14 FM

4 18 32

group The Ewall factorized 463

250 m. 239 M

int -

an 15. 1+.12#

Diameter ...

\$31.2 (1 ÷ (,732)

ilmi in tensi

nost of its pers.

othe All-Share

ENT

In what the American industry sees as another example of the anti-mining attitude of many US authorities, claims have been lodged seeking bundreds of millions of dollars for alleged environmental damage caused in the Coeur d'Alene silver mining district of Idaho

between 1850 and 1965. Four companies and their affiliates have been named in an action brought in the US District Court in Boise, Idaho. They are Asarco, Coeur d'Alene Mines, Hecla Mining and Sunshine Mining.

The claims, lodged by the US Justice Department, the Environmental Protection Agency, the Department of the Interior and the Department of Agriculture, suggest that more than 70m short tons (63.5m tonnes) of mine waste was dumped into the Coeur d'Alene river and its tributaries.

The federal anthorities want the companies to pay to clean up alleged pollution in a 1,500square-mile (3,880-square-kilometre) area of northern Idaho. The Justice Department said that it had filed the suit because of a lack of co-opera-tion by the companies with flict".

The companies reacted

angrily to the suit. Asarco and Coeur d'Alene Mines insisted that they had previously resolved the issue. Asarco also complained that the suit, "while naming the few surviving mining companies still operating in the [Coeur d'A-lene] Basin, failed to name or to acknowledge the responsibility of the Department of Defence and its predecessors for having actively managed and directed the operation of the mines during world wars l

Asarco said that it had resolved the issue in 1985 with the State of Idaho and under that agreement the company had helped to finance a \$4.5m trust fund that was being used "in constructive restoration activities", in the basin. The likely effect of the new litigation would be "to unnecessarily delay basin restoration".

Coeur d'Alene Mines described the claims as "without merit". It said it had previously resolved all issues relating to its involvement with alleged natural resource damage in the Basin in settlements with the Coeur d'Alene Indian

to stem the flow were attempted.

Placer said residents were not dependent on

tribe and the State of Idaho. Commenting on the federal action, Mr Nick Hatch, head of Flemlings Global Mining Group, said: "The lawsuit, involving the federal Superfund clean-up laws, seeks to

make polluters pay. In effect, however, what frequently happens is that companies which already have been undertaking and financing a clean-up programme find themselves with extra legal costs, followed by the requirement to finance Superfund studies and administrative costs on top of the clean-up expenditures already being undertaken".

# Gold output boost planned at Guyana's Omai mine

By Canute James in Kingston

Output from Guyana's controversial Omai gold mine is to be increased next year following a US\$58m expansion of its operations, which were restarted in February after being closed for six months fol-

lowing an accident. Omai, which is owned mainly by two Canadian companies, expects to produce 276,000 troy ounces by December, 24,000 ounces more than were produced in almost eight months last year. Output will rise to 300,000 ounces next

The mine, located 160km south of Georgetown, Guyana's capital, was closed in August after 3m cubic metres of cyanide-tainted water spilled from a defective tailings pond into nearby rivers. A commission appointed by the Guyana government recommended that the mine should be reopened. hut said that improved environmental protection measures should be installed

A mixture of sand, water and traces of copper mineral are escaping from a mined-out pit at the Marcopper mine in the Philippines and is flowing into the Boac River.

Placer Dome of Canada, which owns 40 per cent of the mine, said yesterday that people were not believed to be at risk but added that mill operations had been halted while measures 40,000 tonnes of copper.

Resources, both of Canada, own 65 per cent and 30 per cent, respectively, of Omai Gold Mines, with the Guyana government owning 5 per cent. A \$240m venture, Omai is the largest single investment in the English-speaking republic in north-eastern South America, and one of the largest open pit gold mines on the conti-

The expansion of the mine has been encouraged by an increase in ore reserves, which were originally put at 41m tonnes but later revised to 64m tonnes.

The mine's milling capacity is being expanded from 12,800 tonnes a day to 18,000 tonnes. operations from local and for-

Cambior and Golden Star The enticipated yield has been increased to 3.6m ounces and the life of the mine has been

extended from ten years to 12

required".

A new tailings pond covering 211 hectares (five tines as large as that which burst in August) is being built, "The construction of the first stage of the pond has been completed, and all measures have been taken to ensure safe and environmentally sound operations," said Camblor. The pond will be raised continuously to increase its capacity.
The discharge of the cyanide

waste into the Omai and Essequibo rivers brought increased criticism of the mine's

the river for drinking water but Marcopper had hired belicoptars to assist people at river crossings "and to belp in other ways as The mine has an annual capacity of about aign environmentalists The rupture of the pond followed a smaller spill in May of last

> cessing the gold was also attacked, but the government's commission concluded that there was no alternative. The increased environmental controls at the mine include a bydrogen paroxide plant, which will reduce the concentration of cyanide in the tailings to a standard of 1.5ppm before discharge into the Omai River. The agreement under which the Omai mine was started stipulated a cyanide

> > ■ COCOA LCE (E/tonne)

910 +15 903 -7 926 -5 946 -4 953 -4

discharge standard of 200m. Although concerned at the

year. The use of cyanide in pro-

government is relieved that It has been reopened. We were anticipating economic expansion of 6.3 per cent in gross domestic product last year, but we realised 5.1 per cent." said Mr Bharrat Jagdeo, Guyana's finance minister. "The difference was due solely to the closure of the Omai mine." Guyana's earnings from gold exports were US\$27m short of the \$135m target last year because of the closure of the

The government described the cyanide leak as an "envi-ronmental disaster," while the company maintained that it was an "industrial accident" The company said it would make reparations for any damage caused by the leak.

		-
/Ac at	Thursday's	Closes
A-9 9	souy a	
ID TUSS		
	_	

torm#5		
Aluminium	+2700	to 733.600
Aluminium alloy	+1160	to 78,860
Copper	-10,800	to 326,450
Lead	+775	to 89,250
Nickel	-678	to 34,788
Zinc	-2800	to 621,550
Tin	-160	to 9.065

# Australian election clears way for uranium projects

The Liberal-National coalition government is committed to scrapping the 'three mines policy', writes Nikki Tait

month's federal election 'in Australia bave been elusive. But one group that would appear to have gained an outright and immediate benefit is those mining companies sitting on uranium depos-

For over a decade, they have been constrained by the Labor government's three-mines pol-icy. This was introduced in the 1980s and restricted uranium prodoction to three sites: the Ranger mine in the Northern Territory operated by Energy Resources of Australia (in turn, controlled by Melbourne's North group); Roxby Downs/Olympic Dam, wholly-owed by WMC; and Nabarlek,

Despite the fact the Nabaleck was worked out several years ago, a new "third site" was never added. The last Labour Party conference flirted with the idea of revising the threemines pollcy but the issue was never pursued.

According to a 1994 report commissioned by the uranium producers from the Access Economics consultancy firm, this has left Australia accounting about 10 per cent of the western world's uranium output, despite possessing about 30 per cent of the West's known low-

cost uranium reserves. Victory by the conservative Liberal-National coalition at the federal poll promises a big change. The coalition has said that the three-mines restriction will be abandonned. There is no need for legislation to enforce the new stance, since the previous restriction was party policy, and hence no question of negotiating parliamentary opposition.

Already, there has been talk of miners dusting down their files, and revving up development plans. Already, too, Australia's environmental lobby has geared up for a fight. Eleven groups, including the high-profile Australian Conser-

63.700 +0.200 63.825 63.225 7.422 24.403 63.725 +0.025 63.950 63.450 4.796 29.879 62.850 - 62.000 62.650 1,762 16.760 63.775 +0.025 63.775 63.625 877 10.596 63.250 +0.100 63.275 63.100 944 8.220

50.725 -0.350 50.800 50.350 2.855 10.858

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/fbs

■ LIVE HOGS CME (40,0000bs; cents/fbe)

53.000 -0.525 55.300 54.850 52.750 -0.375 53.050 52.650 49.950 -0.425 50.150 49.850 45.350 -0.325 45.725 45.250

46.700 -0.3 46.950 46.650

■ PORK BELLIES CME (40,000/bs; cents/fbs)

88.350 -2.000 70.100 88.400 66.550 -1.400 70,000 68.400

67.150 -0.525 87.850 66.750 63.900 -0.150 64.650 63.800 61.600 -1.975 63.250 62.300

LONDON TRADED OPTIONS

143 78 34

\$17,50-7,59x \$21,60-1,66 \$19,95-9,96 \$22,15-2,20x

\$207-209 \$103-105

\$182-184 \$234-236 \$207-209

\$414,00

prompt delivery CIF (tonne)

22 53 110

+0.250 +0.215 +0.315

+a +10

Strike price S tonne -- Calls --

BRENT CRUDE IPE May

CRUDE OIL FOR (per barrel)

■ OIL PRODUCTS NWE

LONDON SPOT MARKETS

Apr Jul Jul Aug Oct Dec Total

COPPER

2400 .

900 . 925 .

(Grade A) LME

key federal ministers this week, warning that their support on environmental matters generally could be alienated if the push towards new uranium mines was encouraged.

This makes the task ahead for the mining companies less than straightforward. For a start, two of the four most likely developments lie within the boundaries of the Northero Territory's Kakadu National Park, now deemed a world beritage area thanks to its natural features. Tha larger of the Kakadu

deposits - known as variously as Jabiluka or North Ranger is owned by ERA, the uranium mining subsidiary of Melbourne's North group, and is fairly close to the existing Ranger mine. The company's current plan is to develop an underground mine at Jabiluka. and truck the uranium to existing - albeit expanded - processing facilities. The development cost at Jabiluka has been put about A\$70m.

The first requirement, however, is an agreement with the traditional aboriginal owners. Their views are thought to be mixed: on the plus side, they would see additional royalties and, perhaps, job opportunities. Conversely, problems arising from the existing mine such as water disposal, would

ERA representatives met Mr Warwick Parer, Australia's new federal resources minister. last week to discuss the A\$70m project. Later both Mr Parer and Senator Robert Hill, the new environment minister, stressed that the mine would have to meet "strict environ-mental standards" and that the government would "specifically fulfil its ohligations with regards to world heritage list-

Assuming agreement could be reached with the aboriginal owners, a revised environmental impact assessment would

lear winners from this vation Foundation, wrote to then be submitted, and, if that passed muster, ERA could apply for a mining licence.

Mr Philip Shirvington, ERA's chief executive, believes that the process could be completed within a year. Environmental groups, however, believe there are various technical obstacles - such as the degree of radioactivity in the underground mine. That said, even the ACF admits that it would take "a big fight" to prevent the mine

from proceeding.
The second Kakadu deposit at Koongarra, owned by a consortium in which France's Cogema is the biggest partner, presents different difficulties. Here, there is more explicit support from the traditional owners but, arguably, a higher environmental hurdle.

Various legislative moves are still necessary to exempt the mine site from the boundaries of the national park, in which mining is not allowed. Koongarra, with smaller but

higher grade estimated reserves than Jabiluka, may also be handicapped by the heavy French involvement memories of the South Pacific nuclear testing programme are still fresh in Australia - and the fact that it lies only a few kilometres from Nourlangie Rock, site of important Aboriginal rock illustrations.

More pragmatically, there is also the matter of prices. RTZ-CRA, the London-based mining group, owns the Kintyre deposit in Western Australia. another likely candidate for development. But Mr Leon Davis, chief operating officer, has warned against expectations of early results.

In spite of the recent improvement in spot prices of uranium, he said that those alone would not justify new mining activity. We have to go out and see what long-term contracts we can get," he said, adding that feasibility studies would then have to be con-

# Sydney wheat futures volume 'exceeds expectations'

By Nikki Tait in Sydney

Trading in wheat futures contracts changing hands - which exchange officials said beat their expectations. According to the SFE, the

began on the Sydney Futures price for July wheat opened at first to be launched by the SFE Exchange yesterday with 140 A\$223 a tonne, and closed at since it announced announced

Precious Metals continued

B GOLD COMEX (100 Troy oz.; \$/troy oz.)

between a bid and offer prices often being little more than \$1. The contract is one of the 229, with the difference amhltious plans to establish

GRAINS AND OIL SEEDS

Sett Day's Open price change High Low Vol Int

121.10 - 118.75 118.75 44

WHEAT LCE (E per tonne)

itself as a "regional commodity trading centre". Although the exchange has tended to concentrate on financial products in the past it already runs a wool contract and has also

established a link with the New York Mercantile Exchange, for crude oil trading. Next month, this link will be extended to gold and other

880 865 - 28 905 901 574 22,909 926 923 594 17,161 945 942 338 99,918 953 950 291 18,822 973 968 343 41,550

52 7,896 25 4,527 8,540 97,370

2030 165 1,452 1885 2,592 14,556 1828 666 5,344 1806 232 3,593 1795 10 1,821 1780 35 891

1243 +14 1247 1222 2,900 31,414 1267 +14 1289 1247 2,104 22,522 1285 +6 1285 1271 730 13,804 1315 +7 1315 1303 203 13,841 1344 +7 1337 1334 52 7,886 1365 +7 1357 1351 25 4,527

911.83

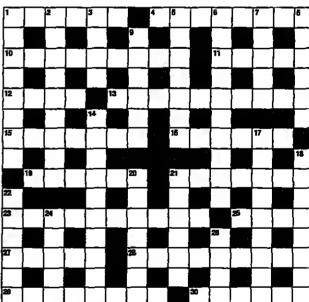
- 2045 2030 -75 1910 1885 2 -11 1891 1828 -12 1823 1806 -11 1802 1795 -17 1780 1780

1818 1797 1771

# JOTTER PAD

# CROSSWORD

No. 9.029 Set by VIXEN



**ACROSS** cash as essential (6) 4 High-fibre cereal on which

one will flourish? (8)

10 Being sorry for eggbesd imprisoned, phone about it (9) 11 Reins tangled up (5) 12 There's merit in being near not too tight-fisted though (4) 13 Stock-holders (6-4) 15 An important personage is

back on the board (7) 16 Off to go around New York, no matter how (6) 19 Judge those acting without thought have a point (6) 21 Capitalise on savvy (7) 23 Youngster arranging second 26 Drop a lengthy story (4)

tale (10) Request for reinstatement (4) 27 Fume if mates play up (5) 28 Tend to appear later (4.5) 29 There are many people with an inclination to be scrub-

bers! (8) 30 Show affection with caution on ocean-going craft (6)

business (10)

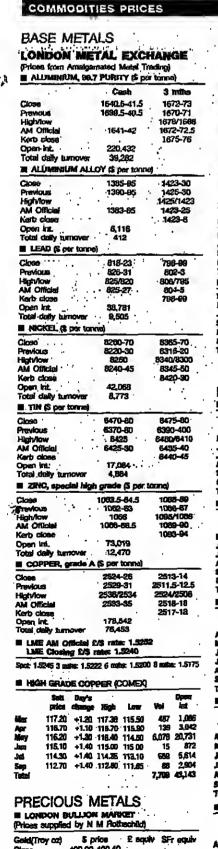
1 Rank is material to a social worker (8) 2 Like copies made of letters (9) 3 For sovereign and country (4) 5 This might well be a target for sailing folk (7) The caretaker of a growing

7 Put out - is to go to court (5) 8 Sadly he's not on the level (8) 9 After six the wise man will 14 A meal's been prepared for some mariners (4.6) 17 Well known Greek's child left in a lift (9) 18 Returns concerning shopping

centres (8) 20 Ecclesiastical converse (7) 21 Given backing of old railway men, the boy continues without a break (4,2) 22 A number behind bars make wine (6) 24 Look a domestic animal over

Solntion 9,028

O R D W T L NOESCAPE OELHI A A R O B T E C TYMPANIC EYEWASI E E W N T S R



400.00-400.40 399.25-399.65 399.45 261.831 475.745 399.90 262.488 476.881

Day's High 308.90-300.30 Previous close 397.70-398.10 Loco Lda Mean Gold Londing Rates (Vs US\$) 1 month . 2 months 3.01 6 months ..... 3 months 369.66 374.10 US cas equiv. 564.00 569.90 576.25 3 months

589.10 1 year E equity. 261-263 411.15-413.75

400.4 +1.6 403.5 4 400.5 +1.5 401.8 399.3 24,259 45,005
403.3 +1.5 404.6 402.0 17,431 64,871
405.7 +1.6 407.0 404.6 404 16,192
408.2 +1.7 409.5 408.1 94 5,227
410.7 +1.7 412.0 410.5 538 15,745 # PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 416.1 +2.1 418.5 414.5 1,496 5,265 424.6 427.1 2,827 23,541 PALLADIUM NYMEX (100 Troy oz.; S/troy oz.) 6 6 61 6,310 - 558 - 73 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.) +5.9 578.0 572.5 739 14,779 +5.9 582.5 576.5 130 10,954 +5.9 589.5 584.0 90 7,508 +5.9 - 18 3,170 575.7 580.3 **ENERGY** ■ CRUDE OIL NYMEX (42,000 US galls. \$/barrell) 
 22.25
 -0.15
 22.59
 22.10
 44,817
 91,817

 20.80
 -0.14
 20.84
 20.50
 27.203
 71,895

 18.22
 -0.13
 18.73
 18.50
 12.251
 48,730

 19.00
 -0.17
 18.11
 18.29
 13.25
 23,845

 18.80
 -0.17
 18.73
 18.80
 10,030
 22,725
 18.56 18.42 3,192 15,734 129,441 436,877 E CRUDE OIL IPE (\$/barrel) Latest Day's price change High Law Vol last 19.86 -0.32 20.30 19.86 19.20 42.34 17.71 -0.23 18.02 17.71 4.734 47.338 17.43 -0.09 17.55 17.38 1.639 15.034 17.26 -17.26 17.15 17.38 1.639 15.034 17.26 -17.26 17.15 17.38 1.639 15.034 17.26 -17.26 17.15 17.38 1.639 15.034 17.26 17.35 17 18.02 17.71 4.734 41,336 17.55 17.38 1,639 15,034 17.25 17.15 505 12,862 17.10 16.96 1,140 4,600 41,182 21T.932 HEATING OIL NYMEX (42,000 US gails; c/L6 gails.) Change Righ Low Voi int +0.50 84.90 82.78 12.732 15.567 -0.24 58.25 57.00 8.271 21.794 - \$4.15 \$33.35 \$3.772 \$12.574 - \$2.90 \$2.85 \$1.580 \$9.045 -0.20 \$2.85 \$2.50 \$1.123 \$7.845 - \$3.35 \$3.05 \$36 \$3.008 \$6.740 \$1,589 +9.75 196.25 188.00 8,616 13,772 +5.50 177.00 173.50 5.681 10.751 176.26 +3.50 177.10 174.30 3,601 1 167.50 +3.75 188.00 185.50 3,431 162.25 +3.00 182.75 180.75 1,545 160.25 +2.25 180.75 159.25 1,694 159.75 +1.50 159.75 159.25 334 5 1,694 4,548 5 334 1,799 21,755 53,982 MATURIAL GAS NYMEX (10,000 man8th.; Symm8th.) 2.760 - 2.880 2.700 45.555 5.269 2.285 -0.055 2.360 2.270 8,652 31,225 2.185 -0.040 2.280 2.170 2,850 19,118

Ciose 1428 BFI 2130 -0.030 2160 2120 1.31S 15,705 2.090 -0.020 2110 2.085 752 14,007 2.055 -0.005 2.070 2.055 957 12,328 84,983 150,484 W UNLEADED GAŞOLINE NYMEX (42,000 US galls.; crUS galls.) Open Vçi int -0.65 67.20 66.00 12,231 16,501 -0.49 86.60 65.50 8,545 80,198 -0.49 86.60 65.50 8,545 -0.21 64.70 63.90 3,180 -0.13 62.30 81.76 2,659 62.30 81.75 2,659 7,601 59.90 59.45 1,173 4,897 81.80 -0.13 82.30 81.75 99.60 +0.15 59.90 59.45 57.30 +0.15 57.80 57.20

121.45 +0.45 121.45 120.50 123 3,061 123.55 +0.55 123.50 122.65 94 611 110.40 +0.25 110.40 110.00 20 251 111.60 +0.25 111.60 111.50 40 1,463 WHEAT CBT (5,000bu min; cents/60tb bushed) ■ COCOA CSCE (10 tonnes; \$/tonnes) 503.00 +12.25 506.00 405.00 5,191 24,453 471.25 +15.00 472.50 456.50 11,713 43,927 473.75 +14.25 474.50 459.50 1,085 8,573 482.00 +12.50 484.00 473.00 723 6,350 404.00 +14.50 484.00 477.00 28 428 28 ■ MAZZE CBT (5,000 bu min; cents/56tb bushel) ■ COCOA (ICCO) (SDR's/tonne) 396.75 +3.25 398.50 393.00 36,005 104,116 383.50 +3.75 385.00 379.75 18,606 132,727 331.75 +3.50 333.50 329.75 3,515 38,516 317.00 +3.00 318.00 314.00 8,422 95,134 ■ COFFEE LCE (\$/tonne 322.00 +3.25 323.25 321.00 325.00 +3.50 325.50 324.00 E BARLEY LCE (E per tonne) 10 53 17 1,151 SOYABEANS CET (5,000bu min; cents/50to bushel) 737.50 +6.52 740.50 732.25 20,06 64,93 51,571 744.75 +6.50 747.50 732.55 20,06 64,93 51,573 744.50 +5.75 748.00 739.50 1,148 0,166 734.50 +5.25 737.00 731.00 624 3,872 738.25 +3.00 732.00 732.00 8,438 58,316 734.25 +4.25 736.00 732.50 109 3,073 37,963 190,949 SOYABEAN OIL CET (50,000lbs: cents/fb) 25.14 -0.17 25.42 25.12 15,192 33,371
25.40 -0.16 25.75 25.48 14,773 29,232
25.55 -0.10 25.85 25.75 777 6,940
25.75 -0.15 25.03 29,9 931 4,265
25.90 -0.10 25.12 25.00 161 2,983
26.16 -0.07 26.41 26.26 1,781 9,545
33,927 86,607 SOYABEAN MEAL CET (100 tons; \$/ton) +2.1 230.7 228.7 5,862 37,843 +2.0 233.5 231.8 3,853 28,546 +2.2 233.3 231.8 1,408 5,775 +2.1 232.2 230.7 257 3,659 +1.0 230.3 228.5 370 3,134 +1.0 230.3 228.5 1,284 8,740 12,927 88,245 230.6: 233.1 233.1 232.1 229.5 229.6 POTATOES LCE (2/tonne) 532 114 225.0 105.0 130.0 117.4 777 FREIGHT (BIFFEQ LCE (\$10/Index point) - 1435 1435 -14 1505 1490 -9 1440 1430 -14 1315 1310 41 52 30 49 17 1435 1431 1371 1362 1375 1310 1380 1370 Prev 1425 **FUTURES DATA** All futures data supplied by CMS.

■ COFFEE 'C' CSCE (37,500(bs; cents/lbs) 123.45 +4.25 123.90 116.75 2.813 17,120 122.30 +4.15 123.00 115.80 970 8,318 121.55 +4.20 122.40 115.50 242 3,969 120.80 +4.40 121.00 115.15 81 1.832 120.85 +4.50 114.75 114.00 8 498 970 6,318 242 3,989 91 1.832 8 498 COFFEE (ICO) (US cents/pound) 11.90 17.90 11.90 WHITE SUGAR LCE (\$/tonne) 382.7 -3.5 394.0 390.5 1,740 12,199 368.5 -3.7 371.0 367.5 716 8,008 335.1 -1.8 335.0 332.8 121 4,867 325.1 -1.7 325.2 25.6 80 2,594 316.3 -2.0 317.0 315.5 73 994 312.1 -2.7 315.9 315.0 106 808 E SUGAR "11" CSCE (112,000/be; cents/lbs) 11.90 -0.17 11.94 11.78 0.729 61,199 11.02 -0.05 11.05 10.84 2,015 40,156 10.62 -0.05 10.84 10.50 744 28,416 10.26 -0.05 10.27 10.17 438 16,378 10.15 -0.05 10.17 10.13 35 4,522 8.99 -0.08 18.80 10.00 127 2,193 84.59 -0.46 85.15 84.56 2.599 19.380 85.59 -0.45 86.03 85.55 1.514 12.385 81.58 -0.40 82.00 61.50 125 2.554 19.87 -0.14 89.01 78.80 829 18.230 80.75 +0.04 80.75 80.57 33 2.029 81.30 +0.05 81.05 81.00 10 868 IN ORANGE JUICE NYCE (15,000lbs; cents/lbs) 131.65 -1.10 133.00 130.75 1.758 15.650 130.70 -1.16 132.20 130.00 516 4.435 128.70 -6.86 130.00 128.56 153 2.295 125.50 -0.40 126.60 125.50 11 898 123.25 -0.75 124.00 123.25 96 2.755 Jim Mar Total 125.25 -0.75 Minor Metals
European free market, from Metal Butetin, \$
per lb in werehouse, unless otherwise stated
(ast week's in brackets, where changed, Antimonry 99.6%, \$ per tonne, 3,450-3,650. Biemetits min. 99,99%, tonne lots 3,60-4.00.
Cadmiunt: min. 99,85%, 148-160 cents a
pound. Cobalt: MB free market, 99,8%, 28,4029,00 28,80-29,40; 99,3%, 28,35-27,25. Mereury: min. 99,89%, \$ per 78 to fleek, 170-180.
Melybdeneurs churamed molybdic oxide, 3,704,00 (3,85-4,10). Seleciture min 99,5%, 3,454,10. Tungetan orae standard min. 65%, \$ per
tonne unit (10kg) WO<sub>3</sub>, clf, 52-82 (50-60).
Variadiume min. 98%, clf, 295-3,10 (2,853,05). Uranium: Nuexco exchange value,
13,00. INDICES ■ REUTERS (Base: 18/9/31=100) 2133.5 CRB Futures (8858: 1967=100) Mar 25 Mer 22 month ago 252,44 252,06 249,07 GSC| Spot (Base: 1970=100)

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME and CSCE are one day in arrears. Mar 25 month ago year ago 2136.8 2136.9 2310.8 year age 235,13

Heavy Fuel Oil Naphtha Jet fuel Gold (per tray oz) 4,921 57,504 2,439 26,620

Platinum (per troy oz.) Palladium (per troy oz.) \$140.75 123.0c Tin (Kuala Lumpur) Tin (New York) 15.88 304.5 +3.0 Cettle (live weight)† Sheep (live weight)† 97.11n Pigs (live weight)† 124,08p Lon. day sugar (raw Lon. day sugar (wie \$312.9 \$401.0 Bartey (Eng. feed) Maize (US No3 Yellow) 146.52 Wheet (US Dark North) Unq. Rubber (Apr)♥ Rubber (May)♥ 103,25p 103,25p Rubber (KL RSS No1) 384.50m Coconut Oil (PhB\$ \$737.5v \$525.0z 474.0 Copra (Phil)§ Soyabeans (U Cotton Outlook'A' Index 442p

+2.5 -5.0 -0.10 r mogethig, m Malaysian cartaring, x May. z Apr. v Apr./May y Apr.lum. V London Physical. S CIF Rationiam. B Bullion market close. A Sheep flive weight proces. Change or

### INTERNATIONAL CAPITAL MARKETS

# Treasuries steady after FOMC meeting

By Lisa Bransten in New York and Richard Lapper in London

US Treasury prices were relatively steady at lower levels after the Federal Reserve's Open Market Committee left interest rates unchanged after

yesterday's meeting. Few had expected the Fed to lower interest rates after the surprisingly strong figures on February employment were

released earlier this month. Treasury prices were lower as the Fed began its meeting at Sam and held at those levels after the FOMC meeting ended. But prices dipped later after Mr Alan Greenspan, chairman of the Fed, told a senate panel that the economy was moving at a reasonably good clip".

Mr Greenspan, who was nominated by President Clin-ton to a third term at the Fed, testified before the Senate Banking Committee as part of the confirmation process.

the benchmark 30-year Treasury was ₁ lower at 92½ to yield 6.604 per cent, and the two-year note was down at at 98%, yielding 5.696 per cent.

Yesterday's losses came despite a new indication that consumer spending is not likely to spur economic growth in the near term.

At mid-morning, the Conference Board reported that its index of consumer confidence slipped to 97.7 in March from 98 in February. Most economists had expected the figure to rise modestly to about 99.

"Although consumer sttitudes, on balance, are pretty much in neutral territory, the uneasiness about the job market. coupled with concerns about future levels of income, do not suggest consumers are ready to spend more freely." the Conference Board said.

■ Italy provided the focus for attention in Europe, with activ-In early afternoon trading, ity sparked by the suspension any recapitalisation is not

oli and worries about the cost to the government of recapitalising the bank.

On Liffe, Mr Alex Cooper, floor manager with Credit Lyonnaise Rouse, said many traders, who last week bought Italian bonds in the wake of consolidation in Europe and the US, moved quickly to reduce their exposures.

### GOVERNMENT BONDS

As a result, volumes on Liffe were buoyant, with 52,510 con-tracts axchanged. The June future settled at 107.94, down just over a point. In the cash market, the 10-year yield spread over bunds widened to 448 basis points from 427 points on Monday.

Mr David Brown, chief European economist at Bear Stearns, said the "likely size of

of the shares of Banco di Naphuge but it has spooked BTPs nevertheless, catching the market on the defensive".

> Other European high-yielders had a mixed day. Spanish honds closed marginally higher, with the 10-year yield spread over Germany falling from 333 basis points to 381 points. Swedish honds closed lower, with the 10-year spread over bunds widening to 209 basis points. The Riksbank's cut in the securities repurchase rate from 7.6 per cent to 7.4 per cent, the seventh this

> · Fears about the cost of BSE - so-called "mad cow disease" - continued to overhang UK government bonds, which again underperformed other European markets.

year, had been expected.

Mr Andrew Roberts at UBS said: "There has been a real change of investor perception. BSE is the overriding factor in

Yields on benchmark 10-year bonds rose by 5 basis points, with the yield spread over hunds, which had narrowed to 178 basis points on Monday, widening to 185 points. Yields on benchmark two-year paper closed 7 basis points higher. On Liffe, June long gilts closed at 104%, down %.

■ German bonds closed largely unchanged, with yields falling marginally on 10-year hunds and most shorter-dated paper. The market slipped in early trading, following indications from the Bundesbank that an immediate cut in short-term rates was not on the cards, but leter recovered ground. On Liffe, 10-year June futures settled at 96.44, down 0.01.

French figures for household consumption in Fehroary were as expected and OATs largely tracked bunds. The 10-year yield spread widened by 2 basis points to 23 points.

### **Banks move fast** France sets long-term to finance Jawa interest rate power project benchmark

By Antonia Sharpe

One of the most rapidly

arranged project financings

seen in the international loans

market, for a power project in

Indonesia, was launched into

general syndication yesterday.

Four banks - Credit Suisse, Dresdner Bank, Sanwa Bank

and Toronto Dominion Bank -

were mandated last November

to arrange the debt financing

for the PT Jawa \$1.65hn coal-

fired power station, which is

The banks announced yester-

closed and the first tranche of

funding had been drawn with one week to spare of the one-

year financing deadline laid

down hy PT PLN, Indonesia's

state utility.
Of the \$1.3bn debt raised, the

commercial bank portion

accounts for about \$900m. The

four banks plan to syndicate

sian risk on a pro rata basis.

In the first tranche, of \$360m,

which has 100 per cent political

risk cover from the US Export-import Bank, the margin

ranges from 137.5 basis points.

during the construction of the

plant to 180 basis points during

years nine to 12 of the 12-year

However, the margin on the

tenor of the loan.

SYNDICATED

Indonesian partner.

LOANS

By Samer Iskandar

The French Treasury, aiming to set a benchmark for long-term interest rates, bas announced the creation of Taux de l'Echéance Constante" (TEC 10), a 10-year constant maturity yield index. Published on a daily basis under the form of the yield to maturity of a bypothetical OAT with a maturity of exactly 10 years, it will be interpolated from the yields of the two nearest maturities of government bonds, from midprices quoted at 10am Paris time by all OAT market-makers. The index will be rounded to the second decimal point. An existing long-term interest rate index, the TME, has gained only limited popularity, and mostly among domes-tic investors. This is due to its complex structure, based on the yields of seven-year to 30-

amounts of these issues. According to the Treasury, the TEC 10 "is perfectly homogeneous with references widely-known by international investors, the Constant Mainrity Treasuries [in the US] and Constant Maturity Swaps". This should make the new index more attractive to for-

year OATs, weighted by the

eign investors.
Over FFr10bn of 10%-year OATs with a quarterly coupon based on the TEC 10 will be

issued as sooo as next month, if market conditions allow. The conpon will be set in advance for each quarter. Bonds with TEC-indexed conpons will behave in a particular manner. Unlike fixed-income securities, their sensitivity to parallel moves of the yield curve is minimal. However, shifts in the shape of the yield curve affect the bonds' prices, which rise when

the curve steepens and fall

when it flattens.

50 basis points because it has 95 per cent political and commercial risk cover from Germany's Hermes.

In the fourth \$82m tranche, which is uncovered, margins range from 150 basis points to 190 hasis points during its 15-year life, which includes the construction phase.

The third and fifth tranches, amounting to \$250m and \$200m are being provided by KfW and US institutional investors, respectively, and will not be syndicated.

Bankers expect further project financings over the coming months, and such a trend would be welcomed by those who fear that the recent flood owned by Siemens of Germany. of acquisition-related loans is PowerGen of the UK and an coming to an end. Among other loans in the

day that the financing was market, a I£100m five-year loan facility for Irish Permanent. the Irish building society, was launched into general syndication yesterday.

The facility, arranged hy
UBS, carries an interest mar-

gin of 15 basis points over Dublin interbank rates and is expected to be fully drawn within 60 days of signing A £400m five-year revolving

about \$500m to other banks. They said yesterday that over the past four months, about 30 credit facility for Rank Xerox, the office equipment supplier, has been so heavily oversub-scribed that the borrower is banks had expressed interest m participating in the loan.
While much of the commercontemplating an increase of cial bank debt has political or Othar facilities which are ommercial risk cover from US and German government agen-cies, banks participating in the loan also take on pure Indone-

thought to be coming to market include a £600m facility for the National Grid and a £200m refinancing for RJB Mining. Both are likely to be arranged by BZW.

First National Bank of Chicaro and Lloyds Bank are believed to be arranging a £200m revolving credit for HPC, the UK consumer finance company, while Bank of Nova Scotia is said to be arranging a \$50m facility for Laura Ashley, second tranche of \$444m is just the UK fashion chain.

# Disney 10-year tranche comes under pressure

### By Samer Iskandar

The 10-year tranche of Walt Disney's global bonds, issued last Friday, came under pressure yesterday. The spread widened to as much as 50 basis points over Treasuries, from an initial 47 points.

INTERNATIONAL BONDS

One trader said that syndicate members appeared to be selling bonds back to the lead managers, and hinted that the latter were not supporting the

issue sufficiently.
However CSFB, joint lead manager with Merrill Lynch, attributed the widening to "end of quarter pressures" and that, given the strength of Treasuries, the bonds had shown a "good performance". CSFB also said that demand

WORLD BOND PRICES

7.25 8.91 7.96 8.99 9.98 4.41 8.74 7.34 8.74

191 Å 114% 105 Å 1170, 1190 8311 114 Å 95 (2)

for the issue had increased as soon as the spread widened.
Abbey National issued £200m. of bonds maturing on December 30 1998. The deal was partly swap-motivated, which necessitated the unusual matu-

rity. Pricing, at 35 basis points over gilts, was in line with similar issues. But the lead manager, J.P. Morgan, is confident that demand for short-dated paper should ensure placement with retail investors.

will be used to refinance an existing FFr1bn deal maturing this week and to help retire existing French franc deht, The lead manager, 5ociété Générale, said there was good demand for medium-term

maturities offering generous

terms. Most recent issues have

been tightly priced triple-A rated 10-year deals.

Gninness launched a FFr1.5bn deal maturing in November 2002. Tha proceeds

NEW INTERNATIONAL BOND ISSUES									
Borrower US DOLLARS	Amount rs.	Gospon %	Price	Meturity	Fees %	Spread 5p	Book-runner		
BFCE‡	100	(4)	100.05	Apr 1999	0,125	-	Sanwa international		
YEN			***						
TE Finance(Cayman)(b)§	100bn	(2-29)	100.00	Oct 2004	2.50	-	Salomon Brothers Inti		
Ford Mator Credit Corp*	30bn	2.65	100.05R	Apr 2001	D.25R	-	Nomura, International		
LW Rentenbank, Trch A(c.f)*	15bn	4.33	96.40	Apr 2011	0.40	-	Nomura International		
International Fin Corpidi*	165n	6.60#	100.00	Apr 1998	undeci		BJ Inti/Wako Inti(Europe)		
SWISS FRANCS Sigma Finance Corp Caymant	101	(e)	100,00	Mar 2009	undsd	-	Deutsche Morgen Grenfel		
STERLING Abbey Nati Tray Services(s)	200	7.125	98.743R	Dec 1998	0.1675R	+35(7¼ %-98)	JP Morgan Securities		
PRENCH FRANCS Guinness(s)	1.5bn	6.25	99.49R	Nov 2002	0.325R	+21/31/4-02)	Société Générale		

Final terms, non-callable unless stated, Yield agreed (over relevant government bond) at launch supplied by lead manager, #Unisted, \$Conventible, 2 Posting-rate note, #Semi-ennual coupon, R; fixed re-offer price; fees shown at re-offer level, a) 3-mth Libor +1,%, b) Foing; early April, Exchangeable into common shares of Toices Bank conditional on 130% rule in 1st 5 yrs. Exchange price revision clause effective 5/1007, 102 & 03, Mandatory conversion at maturity, c) Coupons paid in AS, c) Tranche E; YSen, 31/2/06, 4% in AS, 100.325%, d) Redemption in \$A, coupons in Yen, e) 8-mth Libor faz, l) long 1st coupon. e) Short 1st coupon.

TB Finance bas issued Y100bn of exchangeable preference shares, convertible into common shares of Tokai Bank, The lead manager, Salomon Brothers, will announce the final conditions early in April.

-11 1171 100원 -1 113년 104년 -2 82년 77 -2 100원 94원 -1 101년 82년 -2 111월 102년 -1 111월 102년 -1 141월 130년 -2 93월 95월

2.67 2.47 8.64 6.55 11.72 10.44 10.34 2.15 9.85 4.05

- 46% - 41% - 59% - 35% - 30% - 29%

The coupon should be in the 2 to 2% per cent range and the premium around 10 per cent. A \$300m issue for Companhia Vale do Rio Doce, scheduled to be launched yesterday, was rushed through on Mon-

day afternoon to take advantage of bullish markets. The lead managers, Chase and Chemical, said the issue was oversuhscribed, with very strong demand from Europe as

BENCHMARK GOVERNMENT BONDS	BUND FUTURES OFFICIAS (LEFFE) DIA250,000 points of 100%	FT-ACTUARIES FIXED INTEREST INDICES
Red Day's Week Month Coupon Date Price change Yield ago ago	Strike CALLS Price May Jun Jul Sep May Jun Jul Sep	Price Indices Tue Day's Man Accrued xd adj
Australia 10 000 02/06 107 6080 40.820 8.84 8.91 8.06 Australia 6125 02/06 97.4000 -0.020 6.49 6.62 6.44 6.62 6.44 6.62 6.42 6.44 6.62 6.42 6.4	9800 0.92 1.22 0.92 1.22 0.48 0.78 1.34 1.94 9800 0.63 0.93 0.72 0.98 0.69 0.98 1.64 1.91 9700 0.39 0.69 0.55 0.80 0.95 1.25 1.98 2.22 Est, vol. total, Cel's 18687 Puts 13597. Previous day's open int., Cells 212558 Puts 157598	1 Up to 5 years (24) 121.19 -0.12 121.34 1.80 2.43 5 yrs 7.57 7.51 8.40 7.81 7.54 8.48 7.71 7.84 8.58 2 5-15 years (19) 145.39 -0.25 145.78 3.19 1.89 15 yrs 8.29 8.26 8.40 8.31 8.27 8.49 8.42 8.39 8.70 3 Over 15 years (19) 157.84 -0.30 158.31 2.02 3.48 20 yrs 8.36 8.34 8.37 8.37 8.34 8.49 8.47 8.49 8.44 8.64 8.64 8.55 AB stocks (58) 140.51 -0.21 140.81 2.51 2.31
OAT 7.250 04/06 104,4100 -0.070 6.63 6.66 6.60 Germany Bund 6000 02/06 97,0700 - 6.41 8.48 8.18	M NOTIONAL ITALIAN GOVT. BOND (BTP) FLITURES (LIFFEY Liv. 200m 100ms of 100%	Index-Entrard New 25 Yr, ago Mar 25 Yr, ago Mar 25 Yr, ago
Iretand   6,000   08/06   98,7900   -0,160   8,022   7,99   7,58   7,5	Open Set price Change High Low Est. vol Open Int. Jun 108.98 107.94 -1.03 108.98 107.85 52510 48150 Sep 107.38 -1.03 0710NS (LIFFE) Unc200m 100ths of 100%	6 Up to 5 years (1) 197.03 +0.03 196.97 3.69 0.00 Up to 6 yrs 3.02 3.56 1.65 1.65 2.12 ? Over 5 years (11) 193.80 +0.03 163.75 1.26 0.84 Over 5 yrs 3.61 3.81 3.87 3.60 3.60 3.60 3.68 8 All stocks (12) 163.87 +0.03 163.92 1.32 0.62 Average gross redamption yields are shown above. Coupon Bends: Low: DN-7%h; Medium: BN-10%N; High: 11% and over † Ret yield. yet Year to date.
Sweden         6.000         02/05         84,8420         40,760         8.50         8.70         8.94           UK Gibs         8.000         12/00         102-02         -4/32         7.46         7.39         8.90           7.500         12/06         95-18         -10/32         8.13         8.05         7.68           9.000         10/08         105-27         -11/32         9.24         8.17         7.64	Strike Jun Sep Jun Sep 10750 1.96 2.60 1.54 2.71 10800 1.70 2.37 1.78 2.98	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES
US Treasury 5.625 02/06 95-11 - 6.26 8.35 5.73 8.000 02/26 92-04 -9/32 6.61 6.67 8.20 ECU (French Govr) 7.500 04:05 102.3200 -0.170 7.14 7.22 7.00 benden closing, "New York mod-day" Neighbor closing, "New York mod-day" Neighbor Cool to partiest standard.	10850 1.45 2.15 2.01 3.26 Est. vol. trial. Calls 2103 Puls 25538. Previous dey's open Inc., Calls 55058 Puls 48237 Sp.2879	Mar 26 Mar 25 Mar 22 Mar 21 Mar 20 Yr ago High* Low* Mar 25 Mar 25 Mar 22 Mar 21 Mar 20 Mar 18  Govt. Secs. (UN) 92.31 92.30 92.15 92.86 82.45 91.78 96.34 90.22 Gift Edged bargains 105.5 84.9 95.7 98.7 102.8  Fixed Interest 110.76 110.86 110.89 110.78 110.86 115.23 108.77 5-day average 97.5 98.2 97.4 102.0 103.8  For 1993/96, Government Securities high since completion: 127.6 9907/78, low 49.18 (03/97/78, Paul Interest High since completion: 130.87 27/07/99, low 90.08 (03/07/78), Basis 100: Government Securities
Figures (including extraording fax at 125 per cent parable by nonecodental Prices US, UK in 27rds, where in decimal Source' Makis International	MOTIONAL SPARESH BOND FUTURES (MEFF)	16/19/26 and Fixed Storage 1828. SE activity indices reposed 1974
US INTEREST RATES  Latest Treasury Bills and Bond Yields	Open Sett price Change High Low Est. vol. Open Int. Jun 95.27 95.33 +0.08 95.44 95.14 48,277 40,475	FT/ISMA INTERNATIONAL BOND SERVICE
One specify	M NOTIONAL UK GILT FUTURES (LIFFEY \$50,000 32nds of 100%	Used are the leasest international bunds for which there is an edequate secondary market. Latest prices at 7:10 pm on March 26    leased Bid Offer Chg. Yield   leased Bid Offer Chg. Yield   leased Bid Offer Chg. Yield
Signate Name rate   7   Three months   5.15   Five year   8.00	Open Sett price Change High Low Est. vol. Open Int. Mar 105-30 105-27 -0-12 105-30 105-21 684 2810 Auri 105-06 104-28 -0-12 105-07 104-23 38112 111857  ILLONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%  Smite CALLS	U.B. DOLLAR STRAKENTS  Sweden 9 97
BOND FUTURES AND OPTIONS	Price May Jun Jul Sep May Jun Jul Sep 104 1-31 1-55 1-32 1-61 0-39 0-63 1-46 2-11 105 0-57 1-19 1-05 1-34 1-01 1-27 2-19 2-48	Adm Dev Bark 6-1 05
France	106 0-30 0-54 0-48 1-10 1-38 1-52 2-52 3-24 Est. vol. ural, Callo 2635 Pura 1545 Provious day's open etc, Callo 31272 Pula 38011	Says Variantitik 8- 00 500 1057g 1054gg 6.34 Courst Europe 44, 98 250 104 1044g 2.55 Jupin Dav Bk 7 00 2 200 98 264gg 7.52
E NOTIONAL FRENCH BOND FUTURES (MATIF) FF-500,000	E-CU SOND FUTURES (MATE) ECU100,000	Betief Case 0.27
Open Sett price Change High Low Est. vol. Open inf. Jun 121 54 121 44 -0 18 121.58 121.20 93,407 135,635 Seo 120.40 120.24 -0 16 120.40 120.06 814 4,047 De: 118.24 119.08 -0 18 119.24 119.24 2 623 EL LONG TERM FRENCH BOND OPTIONS (MATIF)	Open Sett price Change High Low Est. vol. Open latt. Jun 89 60 83.30 -0.30 85.60 83.12 3,394 8,096	Carrests 6/2 87 2000 1007s 107 574 location 7 75 00 100 1147s 115 4s 3.88 Toleyo Bec Power 11 01 2 150 1117s 1124 4s 3.09 Chang Kong Fin 5/2 86 500 96 5 97 7.11 that Amer Dor 4/4 100 500 104 1042 4s 4.11 TOLEY Fin 8/4 20 1025 75 1001s 1045 4s 8.57 Chang Kong Fin 5/2 98 300 105 105 105 105 105 105 105 105 105 1
Strite PUTS	III US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%	EB 6 04 500 96% 96% 96% 6.56 World Bank 0.21 700 26% 26% 5.25 EB 94 97 1000 105% 105% 5.84 World Bank 7 01 600 114% 115 3.68 FLOATING RATE NOTES
119	Open Latest Change High Low Est. vol. Open Int.  Jun 112-23 112-13 +0-78 172-29 112-13 229,749 348,774 Sop 112-06 111-30 +0-19 112-08 111-30 1,693 16,789 Doc - 111-27 - 48 3,173	Sec ds France 9 98
Germany  E NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 1000% of 100%	Japan Notional Long Term Japanese Govt. Bond Futures (LIFFE) V100m 100ths of 100%	Ford Motor Credit 6°4, 98
Open         Sett price         Change         High         Low         Est vol         Open et.           Jun         96 58         96 44         -0.01         96 59         96.25         129681         228934           Sep         95 50         95 58         -0.02         95 58         95 45         841         4460	Open Close Change High Low Est vol Open Int. Jun 118.45 118.50 118.42 937 0 Sep 117.35 117.35 117.31 92 0	Hater-Arear Dev 7½ 05         500         105 1         105 1         6.74         SACE 6½ 00         30000         117         117½         J <sub>e</sub> 2.19         FED NAT MORT 7½ 00         1000         88.57         88.67         5.0977           Inti France 5½ 79         500         98½         88½         5.64         5.64         5.000         118½         J <sub>e</sub> 2.81         Feno del Stat 0.10 97         420         100.12         100.25         5.7500           40         100         95%         862         Sweden 4½ 98         150000         105         1.64         1.23         Frinkerd 0.97         1000         100.09         100.16         5.4492
UK GILTS PRICES	LIFFE futures also traded on APT. At Open interest figs, are for previous dev	Japan Car-Sit Dig 07
_ Yield . SZ tweek Yield Notes 1st Red Price Σ + cs - High Low Notes let	No	Norwey 74, 97 1000 101-12 1011 5.85 Gentrance Lets 912, 96 LFT 1000 106 107 7.34 1000 Barken Fin -12 98 1000 99.90 99.95 5.6875 1000 1004 1004 1004 1004 1004 1004 100
Trees 15 Lpt 1996ts 15:10 6:09 1000 - 2 108 100 100 1 1eas 6 200 7006ts 827 Exen 13 400 1990 ts 11:12 6:05 101 - 108 10 101 1eas 7 200 2006ts 7.85	8.06 1245	Custoc Hydro 6 <sup>1</sup> / <sub>2</sub> 98
1000   1000	801 1194 -3 1252 1163 75ee 10 778 351 378 1610 1651 1777	Spain 5/2 99
Each 150c 1997 13.34 6.55 117.6 -\( \frac{1}{4}\) 172.6 1763 9pc 7008 \( \frac{1}{4}\) 1.05 194 pc 7390 2 8.58 105.7 -\( \frac{1}{4}\) 107.6 107.6 108.6 0c 7009 8.19 1083 74.7 1985 2 77.9 6.79 109.7	821 1022 - 1081 984 2200 11 1745 255 276 1674 + 1777 1804 555 176 1674 + 1777 1804 555 1714 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Tokyo Sec Power 8 <sup>1</sup> g 00
1084   1750   1084   1184	Prospective real redemption rate on projected initiation of (1) 10% and (2) 5%. (b) Pigures in peretrieses show PPI beas to indexing in 8 myoths prior to itsue) and have been adjusted in	World Bank 8-1 05 1570 99-1 2675 4-2 6.65 Outshee Prov 107: 99 CS 200 105-2 109 4-2 6.83 Goal Materopolise 7-2 00 65 1.37 171 19-2 106.61 Vorted Bank 8-1 95 1500 107-2 107-3 107-3 1-3 107-3 10
Treas Pig Rate 1989 100	ratioct rebasing of RPI to 100 in February 1987. Conversion tector 3 945. RPI for July 1995; 149.1 and for February 1996; 634 105,2 -1 117); 100\$; 150.9 8.36 1053; -3 1132; 1042.	Destructive March 157 51 400 1007 1008 177 1008 177 1009 177 1009 177 1009 177 1009 177 1009 177 1009 177 1009 177 1009 177 177 177 177 177 177 177 177 177 17
Com Spc 200024 855 7 41 105 7 10845 1026 7 7 1085 8pc 201344 827 7 1084 1305 2000 1085 7 50 11965 8 1248 118.5	907 75년 -1. 52년 7경 138 993년 -1. 100일 94일 <b>Other Fixed Interest</b> 836 945 -4. 101월 92일	Dermork 61, 98
7mas figs: 2000;	8.34 963 - 1 1012 854	Deacting Bit Fig 17:200 2000 105% 1058 5.43 ADC 10 99 AS 100 1034 1025 8.78 Natl Power Bit 03.2 250 4.32 11074 11114 - 0.55 100 100 100 100 100 100 100 100 100 1

7 Over 5 years (11) 8 All stocies (12)	183.80	0	+0.0	3	163.7	5 1.26 0.84 Over	5 yra	3.	B1	3.81	3.56			1.68	
Awarage gross reclamption yield	20 W	h¢wn)	above.	Сочро	n Bendi	st Low: 016-71-16; Modlune 816-101416	: High: 11	1% and	over. †	Pag y	old. yid Year to dat				•
		Ţ.													•
T FIXED INTERS Mer 28				_	1 Ma	r 20 Yr ago High' Low'	GILT	EDG	ŧΕD	AC	Mar 25 Mar		Mer	20	Mar '
	_		_			45 91.78 96.34 90.22	Gêt Ed	ged be	rosini	-	105.5 84	9 95.7	98	7	102
bood interest 110.76	110.8	8 1	10.86	110.8	9 110	178 110.48 115.23 108.77	5-day a	verage			97.5 . 96	2 97.4	102		103.
for 1995/96. Government Secur 5/10/26 and Flood Interest 192	tien Ng 18. SE a	in sinc	indicas	recor.	127.4 ( ed 197.	09/01/359, low 49.18 (03/01/75). Point in 4	serest hig	in whose o	er pla	ttlen: 13	13.67 (21/01/94), low	60.6\$ (09/01/75). B	asis 100:	Governm	writ So
FT/ISMA INTERN	ATIO	NA	L BO	OND	SE	HVICE			ì						
			nich Ther Offer			ate secondary market, Lakest prices a				Yield			704		_
B. DOLLAR STRAIGHTS						Sweden 9 97 2500	1064	106%	4 <sup>1</sup> g	3.89	Abbey Nati Treasur	######################################	96	Offer Offer	Cog.
they feel Treasury 6 <sup>1</sup> 2 001	1000	301	9925	4	5.65	United Kingdom 71g 97	1054	1053	444	3.72	Alliance Laics 1173	87 2 100	1047	. 105 <sup>1</sup> 2	
N Armo Bank 714 05 1	5002	COL	102%	4	6.98 7.45	What Bart 0 15 200	1 201-	102%	44	5.52 5.38	December 63, 98 C	£ 150 500	901 <sub>g</sub>	875g	4
perta Province 752 95	1000 1	03	1037	•	8.05		98%	98	1	6.08	BB 6 08 £	1000	98%	881" 86.4	7
berta Province 17g 95 den Dev Berti 64g 05 atra 84g 00 den Wuert L-Fin 84g 00	750	97 <sup>1</sup> 2	973		6.71				. •		GLAXO WELLCOM	E84 05 2 500	987	1001	4
##4 #2 (U	400 1	07 /2 04 /2	105%	.1.	623		n net	-			Herson 10% 97 £	500	10412	1044	
rik Ned Gemeenten 7 99	1000 1	E.	103	4	6.27	Asian Day Bank 0 16 500 Austra 42 00 1000	35 <sup>1</sup> 2	35%	44	3.08	by 1012 14 0	89 02 £ 153	1003	114 <sup>1</sup> 2 109 <sup>1</sup> 8	4
ver Vereinstrik Bl- 00	500 1	057	1051	4	5.34	Council Europe 4% 99 250	104	1045		255	Japan Day Bk 7 00	2 200	98	263	3
plum 5½ 00 1 wh Coumbs 7½ 02 wh Gas 0.21 1	1000	2312	53 k	_	6.61	Demark #4 98 1000	10412	100		2.88	Land Secs 9-2 07 1	200	102	1023	1
ish Cas 0.21	500 1	14L	1061		6.56 7.91			1034	4	2.84 4.82	Corpora 114 Of F	100		112	-
1000 6-4 05	500	56	15 m			Friend 7 <sup>1</sup> 4 99 300	1123	114 113	14	3.32	Powergen 87 00 £ Severn Trent 1112 £ Tokyo Elec Power 1	8 E 250	1103-	101%	7
ucia 5 <sup>1</sup> 2 97 2	2000 1	ωį	101		5.74	keeland 75 00 100	1145	115	4	3.56	Tokyo Bec Power	1 01 8 150	1117	1124	-4 ·
ung Kong Fin 5½ 98	500	964	97 95	-1-	7,11 7,55	this Amer Dev 41, 00 800	104	10412	+**	4.11				104 <sup>1</sup> 8	+3
St Fonctor 9 7 99	300 10	200	108	1/4	8.15		1002	7774c		4.39		NZS 250 7000		1054	
dit Fonctor 8 <sup>3</sup> 2 991 mark 5 <sup>3</sup> 4 981 Japan Rathey 5 <sup>5</sup> 8 04	000	997	1001		5.81	SNCF 7 04 450	117	11712		4.55	Bec de France 8%	22 Ffr 3000	995g	1144	
Japan Rabiery 55 04	600	982	2015	4	677	Swedien 47c 03 500	1037	1044	٠,	4,18	SNCF 94, 97 FF.	4000	10412	1044	
94 971		1	96% 105%		6.56 5.84	World Bank 0.21 700 World Bank 7 01 600	264	263		5.35				-	
de France 9 98	200 1	05 k	1054		6.02	100 Bak / 01 000	110-6	115		3.68	PLOATING RATE		-		
de France 9 98	500 10	W 4	107%		6.55	YEN STRAIGHTS					-	leeued		00	
D: URY COT 177 80	130	163	1077		617	Belgium 5 89 75000	1104	11012	4	2.11	Abbey Nati Treasury	76 89 1000	39.81		
on Capeal 0 04 1 I Home Loan 7 lg 99 7	800 800 40	57	103/2	4	6.73 6.12		1021	10212	4	4.36	Canada -4 Sa	750 2000	00.44		
teral New Mont 7,40 04	500 10	154	10512	-	6.85		1004	1167 <sub>8</sub>	7	221 314	CCCE 0 08 Eq		99.45		
and 6% 97 3	1000 10	7112	101 %		5.87	Inter Amer Dev 714 00 30000	1193	120	3	220	Commercials O/S Fig.	1—14 947 — 790	QD 62		
Motor Credit 64 98 7	500 10	10	100		6.13	##y 3½ 01 300000	7034	10312	4	2.85	Credit Lyonneis 16 (	500	87.81		
94 Japan Pn 77; 971	200 1	117	25 <sup>1</sup> 4	华	598	lapan Dev Bk 5 99	1204	1103		3.54 1.95	Denmark -4 97	1250	00.00		
France Sir 00	ARC)	-	26.5		6.06	Japan Dev Bir 8 <sup>1</sup> 2 01 120000	17912	1104	٠,	263	Dreedner Finance &	ממתני AB DM יותם	100 00	100.0	
Amer Dev 712 05	500	105	105 <sup>1</sup> 4	4	6.74	SNCF 64 00 30000	117	1174	-4	219	HED NAT MORT - 2	00 1000	99.57		
Finance 54 29 2	500 8	961 <sub>2</sub>	96 <sup>1</sup> a		5.84 6.82	Spain 5% 00 125000 Sweden 4% 98 150000	118 106	1151 <sub>6</sub> 1051 <sub>8</sub>	4	2.81	Finland (197	7420	100.12		
67 23 3	500 9	0°4	903	4	7,89	9widen 45 98 150000 World Bank 54 00 250000	114	7144	Ξ.	1.33	Finland - 2 99	1000	90.70		
57 23 3 an Cer Br 54 01 as Bec Power 54 03 1	500 10	161	1083	-	6.36				•	-	MI Bank Int 1/4 29	600	100.13	100.	23 5
es Bec Power 64 03 1	350 5	25	1707	17	7.05						my 2 98	1500	99.95		
Sushing Bec 74 D21	W 10	19-2	100%		6.57 5.85	Finance 8 04 LFr 5000 Genfinance Lux 8 <sup>1</sup> 2 96 LFr 1000					LIG Baden-Wout F	1000	100.05		
#67 73 DO 3	000 10	144	1043		6.72		106	107		7.34	Lloyds Bank Perp &	0.10 800	83.50		
Hery 7 <sup>1</sup> 4 97 1 He 7 <sup>1</sup> 5 00 3 S' Kontrollbank 8 <sup>1</sup> 2 01	200 10	В.	109	4Ig	5.38	ABN Armo 6% 00 R 1000	1045	105	43 <sub>8</sub>	5.32	Lloyde Bank Perp & Meleyele 1s 05 New Zestand -1 <sub>2</sub> 99	660	99.81	100.0	7 6
Ligal 54 00	W 5	20.0	8512	4	6.69	Bank Ned Gemeenten 7 03 Ft 1500	1047	104%	+½ -14	8.18	New Zestand -12 99	1000	92.88		_
bec Prov 9 98			108	12	623	Bell Caracia 10% 99 CS 150 British Columbia 7% IB CS 1250	110	1101 <sub>2</sub>	-1 <sub>2</sub>	7.10	Nova Scotia 2 99	200	99.94	100.0	_
1099		10 T	1000		642	Carracte May & Heg 84 99 CS 1000	10412	104%	Į,	7.66 6.65	Rente 0 96	500	99.77	201	
F 94- 28	150 10	1714	10772	4	6.08	EBS 104 68 CS 130	1054	1075	جله	6.27	State Bk Victoria 0.0	6 99 125	99.99	100.1	
n 61 <sub>2</sub> 99 1 den 61 <sub>2</sub> 00 3 neases Valey 8 00 11 reases Valey 8 05 2	500	101	1014	-	6.18	Bec de France 94 99 CS 275	1034	10834	14 14 14	6.95	Sweden 0.98	1500	30.97	100.0	3 5
den 6/2 00 3	000 8	97.	1001	+₁8	6.28	KW kx Fin 10 01 CS	17012	110%	442	7.38	Sweden 1 01	2000	99.57	99.6	2 5
respon Valley & UU	m 9	MI.	984	44	6.70	Nopon Tel Tel 10 <sup>1</sup> 4 59 CS 200 Ontario 8 08 CS	10731	1101 <sub>3</sub> 1021 <sub>2</sub>	+4	7.03 7.72	CONVERTIBLE BO	ED\$	•		
75 Sec Power 51z 00 1	DD 9	57	971	•	6.67	Ontario Hydro 10% 99 C\$ 500	1105	110%		6.85			Corne,		
ta Wotor 5% 100 1.	500 9	8	997		5.53	Oste: Kontrollbank 10 <sup>1</sup> 4 99 CS 150	103 %	1101 <sub>8</sub>	+3-	6.86		leaued .	Price	BM O	ler Pi
od 10nodom 7% 02 3	DBD 10	У.	104		6.46		937	9478	11	6.29	EE Finance 84 05 9	438	64 70	101 <sub>2</sub> 101	1, 4
ti Bank 8 1 15 1 ti Bank 8 1 15 1	500 g	83. F <sup>2</sup>	1075	17	6.11	Outbac Prov 10 <sup>3</sup> 2 99 CS 200 Coungi Europe 9 01 Eco 1100		109 110%	4	6.83	Gold Kalgooriis 7 <sup>1</sup> 2 ( Grand Metropolitan (	065		717 11E	
(i	IU	# T	1077	- 6	441			20	44	6.79 8.66	Urang Metropolitan (	710 710	4.37 10	95 110	Fa #1
TOCHE MARK STRAIGHTS						Dermark 8 2 02 Esu	10812	108%	+4	6.75	Hanson 9½ 08 £ Hanson America 2.3	101 100 004	248 9	100 100	
18 5½ 24 2		XI <sup>1</sup> 2	90%	14	7.30	EC 6 00 Ecu 1100	994	100	4	6.05			3375 8 1.05 8	64 80	
en-West L-France 6 99 2		13.4	104	1	458	CO 10 01 024	117	1144	,	12.00	Land Sart Ru III C	D4 '		674 SE	
R Forester 74 00 2 mark 64 98 3	DOD 90	174 137	96 <sup>1</sup> 4	4	7.65 4.11	Ferro del Stat 10 <sup>1</sup> ; 96 Esu 500 Maly 10 <sup>3</sup> ; 00 Esu 1000	1025	1084	-16	5.49 6.55 ·	Lasmo 74; 05 E Mesel Bank 29; 00	90 .	5.64 . 9	64 91	
4 Flamos 6 g 03 16	500	100	100	ųĮ,	5.37	United Kingdom 91g Of Ecu 2750		111		6.46	Mayol Bank 25 (0) Mount like Fin 612 97	200 23	22.5	82	94 4
the Bk. Fin 7/2 00 2	000 TO	6%	106		6.43	ADC 10 99 A\$ 100	1034	1035			Nati Power 64 08 £			gl <sub>2</sub> 80	
<sup>81</sup> 2 00 2 <sup>61</sup> 4 00 1	900 10	115	1044	4	5.16	Comm Bk Australia 13% 99 AS 100	114	11412		-	Christian 6 (12)	05 00	~	04 111	
54 00 19	500 10	130	1037	-1	523	BB74, 95 A5	9912	100	+3	808	Patroni 44 UB	E00 E0 6	097		98 +7 M +
nd 71 <sub>2</sub> 00 3		108	105	ale dis	6.14		11	112	4	300	SIDD BUILDING 7	o 177	70 A		
74, 95 5 Baden-Wuert 6 <sup>2</sup> 2 08 2	000 10 256 9	51 <sub>2</sub>	105%	44	413	R-& 1 Back 74 03 AS 125 State 5k NSW 9 02 AS 300	93 100	100%	-ig -ig	34,11	Standards Bark Sla	Mr. ann a-	B 200	63, 67	3 +1
ssy 64 98 15	500	101	7041	7	4.10	Sth Aget Gost Fin 9 02 A\$ 150	905	100	1	9.08	Sun Allence 714 08 ! Transatiantic riskigs 5	466	80 40	3l <sub>2</sub> 104	Ι <sub>Σ</sub> ,
20 64 04 1	500 9	84	25.2	1	6.54	United Assertie 12 98 AS 150	105%	1063 <sub>x</sub>			No information and	7 v5 £ _ 250 (	W5 8	04 81	2 1
in 74 00 4	200 10	5	1053	1		-Western Aust Trees 7 BE AS 100	95 <sup>3</sup> 8		护	8.47	No information are ‡ Only one mediat :	union aribbiles a os	e prof		

-5 120 1103 -123 1194 -135 195 -105 984 -106 984 -107 105 -117 106 -117 106 -117 106 -117 106 -117 106 -126 115 -1

L1.064 from L1.055. Traders

sold the currency after news

emerged that shares in the

state-controlled Banco di Nap-

Sterling was stable, but there

remain concerns that the gov-

ernment will pay a heavy polit-

ical price for its handling of

strategist at BZW in London,

said "quite a hearish story"

· ··Latest — ·

46 5730 46,1258 6,7548 8,6705

0.0002 684 710 0.9755 0.9849 0.9695 0.9 +8.79 770 - 956 2395.04 2370.48 2396.88 -4.1 -0.1493 258 0.78 46.5730 46.1830 46.0513 27 -0.0087 119 - 146 2.5360 2.5119 2.5074 2.9 -0.0293 628 -787 9.8567 9.7628 8.7618 1.1 -0.671 986 257 234.165 231.998 232.553 -2.2 -0.573 718 - 958 190.506 168.718 189.273 -2.6 -0.1573 718 - 958 10.1740 10.0566 10.0902 -0.1 -0.1099 118 142 -0.1

1.5393 1.5212 1.5140 1.5022 2.0686 2.0718

1,5273 1,5212 1,5214 0.8

11.8578 71.7636 11.7614 0.8 11.7498

7.0600 8.8980 7.0006 0.8 6.9925 0.7 -7.7580 7.8884 7.679 1.9 7.6557 1.8 7.5598 2.2688 2.2454 2.2415 2.6 2.2311 2.7 2.1867

2.9 2 4951

1,8069 4,1 1,7937

5 11.8578 11.7636 11.7614 0.8 11.7468 0.7 11.73 0.3 52.8440 51.5129 4.7536 4.7046 5.6 158.406 5.7 153.031 5.4 2.9005 3.8661 5.22371 2.2201 2.2312 -2.7 2.2407 -2.5 2.2745 -2.2 28.200 38.7951 5.7509 5.7053 5.7 153.031 5.4 2.1604 2.1397

21.18 11.26 12.70 4.350 10.07 0.409

3.688 10 4.210 5.175 9.684 5.389 8.771 4.707 0.420 6.043 8.075

502.7 267.8 301.8 103.3 239.3 8.715 92.36 237.5 100. 122.9 230.0 128.0 128.0 111.8 152.5 143.5 181.8

5.443 2.897 3.267 1.119 2.591 0.105 1.083 1.391 2.491 1.396 2.513 1.211 1.654 2.077

52,611 2,106 196

27,115

-2.3 -2.7 -0.1 4.3

1367

 Pta
 SKr
 SFr
 E
 C8
 \$

 406.8
 21.85
 3.927
 2166
 4.496
 3.297

 217.8
 11.63
 2.090
 1.153
 2.989
 1.978

 245.5
 13.12
 2.357
 1.300
 2.699
 1.978

 94.06
 4.492
 0.807
 0.445
 0.924
 0.678

 194.5
 10.40
 1.869
 1.031
 2.140
 1.569

 7.903
 0.422
 0.076
 0.042
 0.087
 0.064

 75.13
 4,015
 0.721
 0.398
 0.826
 0.606

 183.2
 10.33
 1.855
 1.023
 2.125
 1.558

 81.34
 4.347
 0.781
 0.431
 0.894
 0.856

 187.1
 10
 1.797
 0.991
 2.057
 1.508

 187.1
 1
 0.500
 1.500
 1.502
 2.145
 0.839

 104.1
 0.565
 1
 0.552
 1.145
 0.839
 1.522</

Change +0.0053 +0.0064

High 0.9531 0.9639

-0.00067

+0.0003 -0.0023 -0.00027

+0.D11

21,175 338 103

4.89 4.34 4.01 3.97 3.17 2.89 1.82 0.00

0.62 0.87 1.44 2.01 2.64 3.41

94.59 94.44 94.23

95.00 95.09 94.84

1.29 1.69 2.18 2.69 3.31 4.01

431,675 324,518 306,694

1,632 8,610

0,22 0,39

Est, vol Open int.

44,500 59,644 78,700

109 253 35

0.10 0.27 0.49

0.28

0.9515

1.5208

~2.11 ~1.60 ~1.28 ~0.96 ~0.92 ~0.15 0.31 1.16 3.01

64,356 1,242 1,122

43,423

0.9515 0.9639 0.9750

1,5206 1,5210 1,5180

EMS EUROPEAN CURRENCY UNIT RATES

159,063 2,11760 38,8908 13,3097 1,89245 195,476 7,30824 6,48082 0,816031

IN PHILADELPHIA SE 2/5 OPTIONS 231,250 (cents per pound)

May 2.51 1.84 1.30 0.88 0.56

+0.02

94.61 94.48 94.30

IN US TRUBSURY BILL FUTURES (IMM) \$1m per 1009

95,10

350

0.04 0.01

0.07

0.02

0.08

3.02 2.51 1.96 1.53 1.18 0.86

94,53 94,52 94,35

95.03 95.11 94.98

0.05 0.24 0.48

day's open int... Calls 327014 Puts 287649

STERLING FUTURES (MM) 262,500 per 5

2.15214 39.3960 13.4383 1.91007

195.792 7.28580 6.40608 0.792214

2.09 1.34 0.75 0.37 0.14

94.81 94.50 94.32

0.07 0.01

1,500 1,510 1,520 1,590 1,540

Jun Sep Dec

Price

9675 9700 9725

2,0748 0.4 2,0713 0.8 2,0632 0.S

0.9755 0.9649 0.9695 0.9 0.9679

-0 0509 910 · 046 -0.1489 258 · 079 -0.0278 705 - 790 -0 0187 977 · 123

-0.0222 881 - 940 -0.0073 454 - 472

-0.0078 684 - 706 -0.027 664 - 726 -0.3654 129 - 411 40.0253 412 - 494 -0.133 630 - 811 -0.0112 661 - 684

+0.0068 249 - 275 -0.0986 951 - 200 -0.0109 071 - 103

-0.0047 397 - 422

-1.003 115 · 466 369 360 366.065 +0.0002 694 · 710 0.9755 0.9649

+8,79 770 - 956 2395,04 2370,48 : -0.0087 119 - 146 2.5360 2.5119 - 0.0293 628 · 787 9.8567 9.7628 -0.671 898 · 257 234,165 231,993 : -0.573 718 - 958 190.506 168.718 -0.075 790 - 988 10.1740 10.0565 -0.0049 118 · 142 1.8295 1.6118

-0.0029 218 · 225 1.5333 1.5212 -0.003 029 · 039 1.5140 1.5022 -0.0008 747 · 764 2.0696 2.0718 -0.0248 744 · 873 11.5641 11.4744

0.6803 0.6840 0.6850

3-6 months

1-3

12,347 48 1

High 0.6808 0.6840 0.6878

oli had been suspended.

\$1.5222, from \$1.5252.

MARKETS REPORT

Currency markets had a quiet

day yesterday with traders

mostly content to stay on the

sidelines ahead of the Federal

The dollar closed little

changed in London at

DM1.4758, from DM1.4777,

while the Fed was still meet-

ing. Against the yen it closed

POUND SPOT FORWARD

9.7708

1.5221

181,721

CROSS RATES AND DERIVATIVES

4.785 6.675 4.179 5.700 5.365 7.160

EXCHANGE CROSS RATES

M D-MARK FUTURES (MM) DM 125,000 per DM

UK INTEREST RATES

III SWISS FRANC FUTURIES (IMM) SFr 125,000 per SFr

(SS) 2,1410 (FI) 6,0003

Hong Kong

Dommerk France Germany keland Italy Norway Portugal Spain Sweten Sweten Switzeria

Reserve policy meeting.

at Y106.245 from Y106.13.

Est, vol. Open att.

Est, voi Open mt.

24,950 5,122

20211

18328 8167

2025 760

4352

613

Est, vol Open int,

27672

Open int.

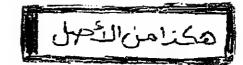
9011 3857

90.90 90.85

98.12 97.85 97.50

52,856

WORLD:INTEREST RATES



MONEY RATES

week ago

week ago Japan week ago

week ago

week ago ECU Linked Da

# \$ LIBOR FT London

**EURO CURRENCY INTEREST RATES** 

-0.01 -0.02 -0.02

-0.02

-0.18

+0.01

MONTH ECU FUTURES (UFFE) Eculm points of 100%

IN THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFrim points of 100%

91.00

98.30

87.57

95.45 95.40

III THREE MONTH EUROLINA FUTURES (LIFFE). L1000m points of 100%

Satt price Change

90.83

98.27

97,55

W EUROLERA OPTIONS (LIFFE) L1000m points of 1009

98.25

97.57

95.20 94.88

MRCH 27 1996

oints because  $i_t$  has at political and one sk cover from Ger ourth \$62m tranche uncovered margin a 150 basis points to points during it; which includes it. d and fifth trancing g to \$250m and being provided by US institutions respectively. de

eyndicared expect further prongs over the comit and such a tree welcomed by time hat the recent flow tion-related loans an end. other loans in the 12100m five year lear ir irish Permanen uilding society as

ility, arranged h lays of signing.

ikely to be arrange hic:

A TOWN A THE

The dollar firmed slightly when it emerged that the Fed had left interest rates on hold. The announcement did not come as a surprise. While many observers believe US rates will still fall further, the chance of an early cut was reduced by the freak US payrolls report last month.
On the policy front, the
Swedish central bank cut the repo rate to 7.4 per cent from 7.6 per cent, the seventh reduction of its central money market tender rate this year. In Europe the D-Mark finished slightly firmer against uto assist sinds

es an interest m asis points over the ank rates and p to be fully draw five year revolute ity for Rank Keen Southwest saidings 50 hearth prema at the borrower ting an increased actilities which as be coming to me a 560 m facility is al Grid and a mag g for RJB Mining

Lloyer Bank as to be arranger; volving credition K rensuzer fram while Bans of Nonid - - arrangaga ty for Laura Ashley,

3 / 13 LT

, r

IN TISSEE MONTH STERLING PUTURES (LIFFE) \$500,000 points of 100%

93.93 93.72 93.38 92.96 92.63 -0.02 -0.02 -0.04 -0.08 -0.05 93.93 93.73 93.38 92.67 92.63 93.81 93.89 93.33 92.93 92.59 80822 58939 51282 34610 31561 SHORT STERLING OPTIONS (LIFFE) 2500,000 points of 100% 0.07 0.17 0.24 9375 9400 9426 0.25 0.14 0.26

**BASE LENDING RATES** 

 Girobent Fleming & Co \_\_ 6.00
 Girobenk \_\_\_\_\_\_ 6.00
 Guinness Mahon \_\_\_\_\_ 6.00 .600 Birnco Bibao Vizcaya... 6.00 Habib Bank AG Zurich . 6.00 et tembros Bank ..... 6.00 C. Hoare & Co ........... 6.00 Hongkong & Stranghel, 6.00 Julian Hodge Bank ..... 6.00 Brit Bluet Mid East \_\_ 6.00 

Royal Sk of Scotland \_ 6.00 Hoyel Sk of Scotland 5.00

Singer & Friedlander 5.00

TSB 6.00

TSB 6.00

Unity Trust Benk Pic 6.00

Western Trust 6.00

Whateway Laticlaw 6.00

Yorkshire Bank 6.00

the "mad-cow" scare. It closed nominal ontput growth - was at DM2.2463, from DM2.2536. now in place. Against the dollar it closed at The election result, meanwhile, said Mr Turner, "gave Chancellor Kohl the green light to press on with EMU." Although the D-Mark had a slightly firmer tone yesterday, many analysts believe the out-He said this was likely to be negative for the D-Mark on look for the German currency fears of dilution when it becomes part of a single cur-Mr Chris Turner, currency rency. Also, with the EMU project requiring a tight fiscal policy, this would need to be

elections and the IFO husiness

growth running at six per cent

year on year, Mr Turner said

the necessary condition for

currency depreciation - money

supply growth outstripping

With M3 money supply

confidence survey.

countered by an environment of low interest rates. The IFO survey revealed a hig drop in exporter optimism. to the lowest level since last probably a lagged response to

most currencles. The lira was was developing for the D-Mark. Federal funds the main loser, finishing at He cited three recent develop ments: M3 growth, the regional

Currencies quiet as markets wait on Fed meeting



the D-Mark's large appreciation against the yen in the sec-

ond half of 1995. The D-Mark has also been the subject of pessimistic commeot from Robert Fleming Securities. Peter Warhurton and Paul Brunker note that for 20 years the D-Mark's reputation as a dependable store of wealth "increased in parallel with the 2.9 per cent per

annum average gain in its trade-weighted index." Progrees has been so consistent that "it is 15 years since the D-Mark index last dropped by as much as 3 per cent below its last year average.

CURRENCIES AND MONEY

three reasons - falling competitiveness, the role of net foreign purchases of bunds, and the issue of "flight capital" why the D-Mark will weaken. As evidence of the cumulative loss of competitiveness over a number of years, they

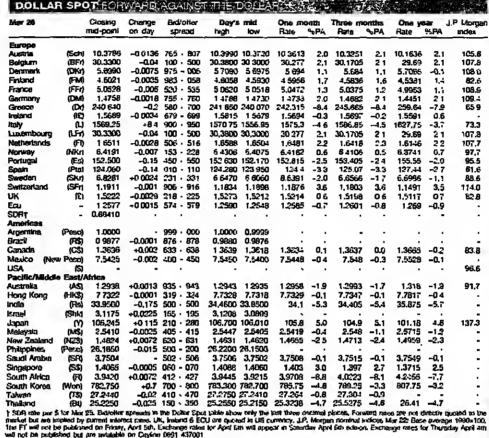
note that the pace of net outflows of direct investment from Germany reached almost DM40bn last year (roughly 40 per cent of the size of the trade surplus), while West German employment has not recovered from the 1992 recession. Mr Brunker believes Ger-

many is pushing for a single currency because it wants to avoid the sort of revaluation of the D-Mark, common in recent years, which took place regardless of German fundamentals.

that if the single currency is abolished, or even delayed, the D-Mark will go on a strong run again which the economy cannot afford "

But they believe there are ■ While the FOMC meeting held little joy for currency markets, some hetter news came in the form of prepared comments from Mr Alan Greenspan, the Fed chairman, at his confirmation hearings. "Maintaining the key role of the dollar is important to American growth and standards of living," he said. Repeating this comment for the second time in two weeks will remind markets that the US authorities are not indiffer ent to the value of the dollar.

May 35	£	\$
Crech Rp	41_3485 - 31_3831	27 1710 - 27.1810
Hungary	217,633 - 217,839	143.010 - 143.050
tan .	4567 50 - 4565 48	30000.00 - 52,0000.00
Kurak	0 4547 · 0 4552	$0.2958 \cdot 0.2990$
Poland	3.9232 - 3.9281	2.5780 - 2.5800
Russa	7380 73 - 7388 63	4950 00 · 4853.00
UAE	5.5891 - 5.5924	36727 - 36732



This announcement appears as a matter of record only

A joint venture consisting of

Skanska AB Højgaard & Schultz a/s Hochtief AG Monberg & Thorsen A/S

DKK 1,574,542,000 A GUARANTEE FACILITY Advance Payment and Performance Guarantees issued in

favour of Oresundskonsortiet in relation to Contract No 3 -BRIDGES- in the Oresund Link: the design, engineering and construction of a high bridge and two approach bridges.

Arranged by a Co-suretyship consisting of

Hermes Kreditversicherungs - AG and Dansk Kautionsforsikrings - Aktieselskat Agent: Hermes Kreditionsálving AB



Control of the contro

NATIONAL BANK OF CANADA

US\$ 150,000,000 Floating Rate Subordinated Capital Debentures due 2087 the «Debentures»

In accordance with the Terms and Conditions of the above-mentioned Debentures, notice is hereby given that the Board of Directors of the National Bank of Canada (the «Bank») has increased on March 12. 1996 the quarterly regular dividend on each Common Share of the Bank, for the quarter ending April 30, 1996 and payable on May 1, 1996 from Cdr/\$ 0 115 to Cdr/\$ 0.125.

Consequently, pursuant to clause (d) Adjustment of Rate of Interest of paragraph Interest of the Terms and Conditions of the Debentures, the Rate of Interest has been adjusted in accordance with the following formula:

 $\mbox{Adjusted Rate of Interest} = \frac{\mbox{Regular dividend declared}}{\mbox{Reference dividend}} \; \mbox{$x$ Rate of Interest}$ 

Where, \*Reference Dividend\* is equal to Cdn\$ 0.20 «Regular dividend declared» is equal to Cdn\$ 0.125 Consequently, the Plate of Interest as adjusted pursuant to the above

0.625 x Rate of Interest

The Rate of Interest shall continue to be adjusted according to the above formula until the Interest Period next following that in which the last dividend declared by the Bank on the Common Shares is equal to or greater than the Reference Dividend.

Kredietbank S.A. Luxembourgeoise in its capacity as Reference Agent for the Debentures will adjust the Rate of Interest for the subsequent starting on August 30,



Brokerage service that's second to none - at discounted prices

Access to worldwide markets.

24 hour, call-free service. Institutional rates for currency conversions.

Full range of trading support-free Nearly \$500 million in customer

France testing analoss risk, including the risk of larger grows than the prignal investment and commany risk. It is not, therefore, southful for everyone, Ad covered and approved by Unit Mahlach 4, Constrong, angulated by SFA.

LIND-WALDOCK & COMPANY

TO SAVE THE RAINFOREST WE **PROVIDE TREES** TO CHOP DOWN.

By belping people o the rainforest to plant tires, WWF are working to solve some of

to the local villages an eady for harvesting in only five years Where orces are chopped lown for use in construction, as in

Pakistan, we supply fast growing local pine species. The idea behind all our work is that ramforests used

Write to the Membership Officer

Paring Process of the Control of the



LONDON SHARE SERVICE

24

ALCOHOLIC BEVERAGES 000 PE 00 559 554 554 555 405 506 527 560 757 140 525 757 917.2 17.8 64.1 26.1 25.0 155. (F) 99445551505465 5.197 21215 66.2 8.699 8.678 456.9 8.141 101.4 650.8 11.1 8.006 A AGA SR. D. D. D. AGAD P. S. WIRSON AND در أحد الهار المرضيح [ ] [ أيقيد عديم أمد [ ألد أنه عد 12070775TPTT MERCHANT M 103 10 401 475.7 47 5012 474 553 44 82 1935 05 15 1954 -52 15 1977 74 15 1977 74 32 1935 202 06 2414 -11 02 1864 11 +1 424957747669770 HOUSEHOLD GOODS ENGINEERING BANKS, RETAIL | M 7274|| 823|| 824|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| 835|| ة. ( إله أما إلجو [ إلى إله إلى المواحد لهديث لمحمد لما أ الما إلمد أ إلما أهد أزاد لهم ( أمن المحمد الله ألباد لمد أليف 2.4.5 m 2.4.6 m 1.5 m 2.5 m 1.5 m 2.5 m 2 Anti-control of the control of the c RATELANGERRIUS BIRKLAS PROMETAL SERBLAS SERVICES BESTER BE 202 More: A Survey of the Administration of E 451194666 E 16111669 E 16111669 E 16111669 E 16111669 E 16111669 E 1611169 Green Dev Ser L.

Green Dev Ser L.

Warrents Ser V.

Herrichte Ser 18 107.7 18 107.7 18 144.4 28 142.3 112.0 0.5 100.3 0.6 158.9 0.4 80.0 136.2 13 11 40 15 27 4 6 1 3 12 6 10 0 17 2 10 4 10 1 BREWERIES, PUBS & है। किया । । । । । विकास किया किया किया किया किया है। । । विकास विकास किया किया है। । । LANDAR BELLIEF THE LLE IS IN IN BUILDING & CONSTRUCTION a g PC Mat Concentration of the Conce From the UK's leading provider of distributed IT systems and services. the second 雪 304 417. 407 508 498 377 39 409.6 1.2 514.2 | 10 日本の | A State Counted Car is a state of the state Computacenter 187.8 11.7
28 143.2 6.4
48 122.1 144.9
1.4 247.2 -2.1
1.7 24.8 12.0
2.3 38.7 18.0
2.3 38.7 18.0
2.3 38.7 18.0
2.3 141.7 3.0
0.8 55.6 -1.8
0.3 141.7 3.0
0.8 55.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 25.6 -1.8
0.3 141.7 3.0
0.8 30.3 -8
0.3 141.8 3.8
1.7 255.5 10.3 + a Execute - 194 (cm - 19 Ум БГЗ РАБ 3.4 17.5 1.3 48.6 1.9 51.5 23 25.6 23 25.6 25 31.1 Service Hotel Service 500 ST 100 ST 10 The state of the s FOOD PRODUCERS | (200 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 17 Ydf 13051363 - 8591190308 - 791102141682182427 - 80279272901 - - 75222 - 204415172 - 47470 

| Section | Sect

Rotes
Chica Light Hos
East Mediants # # 5 ser
London
The Mediants # # 5 ser
London
The Mediants # # 5 ser
Mathers # 5 ser
Math

`.; ⊐;

417

7 7 749

According to the control of the cont

1995年1997年19月1日日本 (1995年1月日本 | 1915年1958年1957年1951日 | 1918年1

MATERIAL PROPERTY AND ASSESSED ASSESSED

7150 2021-2021-2024 730 307-d 192 47-d 240 47-d 240 514 514 514 617-d 617-d

7d PE - 85306889 - 85306889 - 85306889 - 85306889 - 85306889 - 85306884 - 853

484 Cantin 5.962 1.260 1.260 1.260 5.370 5.302 583.2 1.265 1.265 1.265 1.265 1.263 1.263 1.263 1.263

The control of the co INV TRUSTS SPLIT CAPITAL

34.4 78.2 62.7 49.0 531.1 36.9

1214年1110年11112日 11112日 1112日 112日 11

7

を通りはでは、10mmでは、10mmである。 4 4 できんじか 20mmである。 20mmでのである。 20mmでのである。 20mmでのである。 20mmでのである。 20mmでのである。 20mmでのである。 20mmでのである。  6148354933417861501887476

Approved by the telena Approved by the telena Approved by the telena Approved by the chiral approved by the chiral

del in lita

**GAS DISTRIBUTION** 

HEALTH CARE

APTA Healthcan will Advantage and Advantage

Mk; 475m 1.26 1.26 1.067 1.063 1.168 4.11 1.368 4.11 1.368 1.363 1.363 1.363 1.363

-0°

250 253 255mi 255mi

52 week Mit high low Captin 517 2221; 10.103 279 218 443.4 285 220 70.2 113 65 56.3

52 mail high 200 dain 190 c 190 dain 190 c 190 dain 190 c 190 dain 190 dain

# . | | Set ! ! ! Les | ! 52 w high 5 s 5 strong 22 s 5

tion

92 94 88

It least concenties ale competition wood to construction rategy, but the

er cent in 1894
uction marks,
with the same
to fast growing
for reinvestig
perty portfoli
rnings stream
er returns else
what remains

3% shich this its retail

ne 1994 figure
came as union
of an average
some 50,000
e figure

I Jimmy Burns
INSION
IV of opening
it group, which
as assessing

in Shanshai to potential for us mediate lease on hs Motoko Rick

noved by
ty, could be
it spending
government]
Il become

t he expected busing wed. ndrew Taylo vriter surance

hrough inferent idy has its sells insurance

· 400年,我,我想了我是这里看我,我们也一定没有不是要也!

14 5: 0.13 0.13 0.13

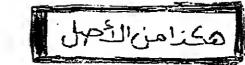
rediction of the second of the

 FT Cityling Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details **OFFSHORE AND OVERSEAS** BERMUDA (SIB RECOGNISED) 12.5 876 BERMUDA (REGULATED)(\*\*) 619 (10 619 (10 619 (10 619 (10) JERSEY (SIB RECOGNISED) THE CO. P. RELAND SERVICES OF THE CONTROL OF TH 0171 734 3700

MANAGED FUNDS SERVICE

deil in 1sta

And the second s



FT MANAGED FUNDS SERVICE FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. CAN Insurrance Co Ltd Royal Life International Homeura Astan Infraetructure Pd SICAV Blobal Asset Manager Augus Fonds Land Standard Francis
Courte Lorger
Courte Lorger
Courte Courte
Courte Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
Courte
C STARS STORM IN 14 SUFFA STARS Copital International 4 09 AN TOTAL CONTROL Front Control Chambion Funds Limited

Chambion Funds Limited

Parmay Seein & Limited

Parmay Seein & Limited

Parmay Seein & Limited For Chara Minimum with Frank the Lawrence Conreantile Latin American The China fevent & Der And Security long way and and an analysis of the Associated May Continue and Co Vergo Nav ... 1991 -0.02 / Vergo Nav ... 1991 -0.02 / Verg Clobal Magt Co SA (n) Speedberg Glober sengs
Annelsen Agen Fred Bloom
STREET | 12879 |
Resemberg Management SA (n) Red Po Pro MU Far 25 | \$10.4 (Asia) Ltd Citibank Global Accet Mignet (Asia) Ltd Citizens Investment Trust Migt Co Ltd 2187 15 Receivery Management SA (a)

Receiver Address of Street Street

Receivery Make Food St Sicolar Asic Inc. State No. 12 May 23 State Line No. 12 May 25 S \$1083.85 Character Bank 展別 のない。 HATTINET THE H Graph ... Scottiste Equitable in e cg SCATTLES SA
SCATTL EUR SON EN 8200 A . | E217 28 | :-! **H** .. 1 5727351 1 .1 ent Corpo Columnia Agent Management Ltd Plasters informational
Assuming four feet I
Afauritius Fund Ltd Scottish Provident intil Lie Am Intil Lard Secretary Provident intil Lard Secretary Pro Columbras Acasa Management Inf \$22 16 | \_ | Craig Drill Capital Las

Craig Drill Capital Las

Craigs Investment Funds

Craigs Investment Fun Bar Clubbo (ta)
Emrotan Projection
Emrotan Emrotan
Emrotan E : 1114 Ξ[ Guardian Giobal Asses Management
certisa Guide Crusto.

HSGC Asset Management (Baharma
HSGC Asset Management (Baharma
HSGC Asset Management (Baharma
HSGC Asset Management (Baharma
HSGC Asset Management for
HSGC Asset Management for
HSGC Asset Management for Program Francisco Company Comp = \_\_ | \$9 4600 TO 50 | Company SA (Desi 計劃 Commedias Af May 2) STORE | Commedias Af May 2) | Commedias Af May 2) | Commedias May 2 | Comme porthyde Special HV L2 STREET ... ᇳ Figure 1. Life (Intherent Count)

Figure 1. Life (Intherent Count)

Albert 14. See Early 16. It for 17. It for Son Alliance independent Life
To be 7 1 100 2 1 100 2 100
Son Alliance independent Life
To be 7 1 100 2 100
To be 7 1 100 2 100
To be 7 1 100 2 100
To be 7 1 100
To be 7 100
To be 7 1 100
To be 7 10 Crosby Asset Management Ltd Colonia - Colonial Employers & Colonial Employers of Colonial Employers of SCAT |
Colonial Employers of Coloni \$10.03 Societa Senarale Group

Societa Senarale Group

The Company of the IBJ Schroder Bank & Trust Company
BJ Schroder Bank & Trust Company
BJ Schroder Bank & Trust Company
BJ Schroder Bank & Development Finan an inventment 510.15 ... 510.15 ... 510.15 ... 515.01 ... 575.01 . Monoda Asset Monagement
Moreon Cale Folia | 99 Art |
Moreon Cale Folia | 99 Art |
Montgomeny Emerg Demonstrated Tons Folia |
May May 72 | 511 60 |
May May 72 | 511 60 |
Montgomeny Emerging Bursinets Frand Ltd
Nat/ Mar 22 | 51000 | 6 |
Montgomeny Emerging Statistics Frand Ltd
Nat/ Mar 22 | 51000 | 6 |
Montgomeny Emerging Statistics Frand Ltd
Magset | 51000 | 1014 |
Monote Stobel Investment |
Mo Serves Jos Monda | 620142 726 | 6000 |
Mo Serves Jos Monda | 620142 726 | 6000 | aer Capital Inc Impace Asia Pacific Funds Limited

Services Sorres Dantas Investment Yout Co List Stobel France Management S.A. (u)
Word Fronter 5719
Stobel France & Options SICAV
FM led 69 Program Feb 29 SF-92 53 -1.81 |
RSBC MAPT Lussemboury S.A.
Mike also Pack Ta Nav. 515 80 | -0.08 |
HTR Indits France - SICAV Microse Stocked Investment | 10.14 |
Microse Stocked Investment | 10.14 |
Microse Stocked Investment | 10.14 |
Microse Stocked | 10.14 |
Microse Sto DE 3005 4 4481 STA Lande Growth Fund

Style 18 2 55.00

State Street Banque SA

Class Street Banque SA

Class Street Banque SA

State Street Banque SA

State Street Banque SA

State Street Salada SA

State Salada SA

State SA

State SA Design bell Capital Management (M.K.) List

Management OTHER OFFSHORE FUNDS Strowe Offenors Limited
Seaf-ten 3: Sea 53
Seaf-milt Money Management (Burmaido) Li
Nover 2 Seaf-ten 5: Sea 53
Seaf-ten 5: Seaf-ten 5: Sea 53
Seaf-ten 6: Seaf-ten The state of the s Abstract Control of the Control of t Administration by committee or Rorabied International Lid (Behanne)

Rorabied International Lid (Beha Dobin & Serince 1977 = : G-1 ESS Overnment Fund Lid

FGG Overnment From Live SSS 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | 1858 | Brist Bray Mar 20: 22 | \$139,6513 | -Brist American Mar 22 | \$1596,513 | -Hoffmity Corption Comparation Interpret Herigand Asserts Ltd Alliance Capital

Alliance Cap noi thinked

The state of the s

tion

astruction

-KCH 27 1996

it least concenilesale competi Taylor Wood ts construction rateg) but the its peers.

book is not er cent in 1902 uction market with the same to fast growing for reinvesting serry portfold mings stream er returns els what remain

roup profits a

S 3% hich this its recau i totai

Te 1994 figure Charle as union of an average stone 50,000 e Caure с *Гитану Вип*ц

nsion " of opening .! Toup, which 15 3554/5/73 in Stanzbarge potestical for us 200 S 71 (27.)

leasy of its

Mr who B(d)

ticyed sy ay, could be d spending governmen) H become 15 per cess me mainly i be expected

0.31114

ndres, Tasir. riter 8 MAY 2024 a The move through 1267920 idy car as 1.0

neumanie Thomas Man Alls in Satt

2.5

.. William

### LONDON STOCK EXCHANGE

MARKET REPORT

# Political pressures weigh heavily on equities

By Steve Thompson, UK Stock Market Editor

The political fall-out from the mad cow disease controversy continued to cast a shadow over UK equities and was said to have been responsible for another dismal performance by the stock market.

With dealers increasingly taking the view that the government will struggle to recover from the political and potential economic impact of the BSE scare, gilts were persistently sold throughout the day and the Footsie future traded at a big discount to the cash market.

And some of the market's bears were casting doubts about today's

auction of £3bn of five-year gilts. The 10-year gilt closed off the day's low but was still 12 ticks down at the close. Tha 20-year gilt was 14 ticks easier.

The outcome of a difficult trading session in London was that the FT-SE 100 index once again waved goodbye to the 3,700 level. By the close, it was left nursing a 21.0 fall

There was much less pressure on the second-line stocks, where another outstanding performance by Securicor, a further 11 per cent stronger following Monday's restructuring proposals, helped sustain the FT-SE Mid 250 index, which ended 2.0 off at 4,294.5.

Wall Street gave precious little things will prohably get much might produce a sharp rebound support to London, with the Dow Jones Industrial Average coming in on the weak side and falling sharply in the first 30 minutes of trading before staging a good rally and posting a small gain soon after that.

Late in the session there was news that the US Federal Open Market Committee meeting had finished and that US interest rates had been left unchanged.

Commenting on the day's events. the head trader at one of the leading UK securities houses said the institutions were worried about the political implications of the BSE scare. "The feeling is that the government is in real trouble and that

worse before they get better," he

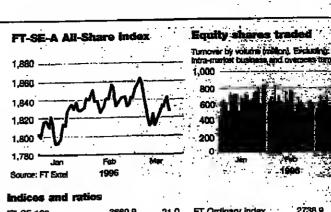
He added that London was being propped up by Wall Street and that any big setback in New York, together with more bad news on the BSE front, could produce a nasty few days for UK stocks.

Last week's burst of programme trading activity had also left the market heavy of certain stocks and caused considerable indigestion, he said. On the plus side, however, the view in tha market was that the

such a deal was imminent. FT-SE 100 index was heing depressed by a large short position in the future which, if unwound.

it was not all doom and gloom in the market. Glaxo Wellcome shot to the top of the FT-SE 100 leader hoard in the wake of a burst of speculative buying triggered by the emergence of rumours that a merger between the company and Pfizer, of the US, could be on tha cards. Most traders, although keen to take advantage of the big two-way business unleashed by the rumours, were unconvinced that

Turnover at 6pm came out at 822.8m shares, with non-FT-SE 100 stocks providing 61 per cent of the business. Customer activity on Monday was valued at £1.59hn.



-GE 100					
-SE MId 250	4294.5	-2.0	FT-SE-A Non Fins p/e	16.84	16,90
-SE-A 350	1845.5	-8,5	FT-SE 100 Fut Jun	3654.5	-22.0
-SE-A Alf-Share	1826.17	-7.64	10 yr Gilt yfeld	8.12	. 8.06
-SE-A All-Share yield	3.85	3.83	Long glit/equity yld ratio:	2.20	2.20
est performing s	sectors		Worst performing a	SECTORS.	
Oil: Integrated		+1.5	1 Banks: Retall		2,0
Mineral Extraction			2 Electronic & Electr		1.8
Pharmaceuticals		+0.9	. 3 Chemicals		
Building & Constr			4 Banks: Merchant		1,3

# Glaxo merger hints

Glaxo Wellcome, which has been left out of the rumour club for some time, burst back into prominence yesterday. A story went mund the market that it was about to link up

with Pfizer, of the US. As Glaxo is currently the world's biggest pharmaceuti-cals company by sales and is still accruing the henefits of its takeover of Wellcome, there seems little rationale for

another big consolidation. On the other hand, argued some analysts, one version of Zantac - Glaxo's biggest selling drug - will lose its patent in the US next year and Sir Richard Sykes, the chief executive, has signalled his keenness

to grow by acquisition. Some analysts, such as Mr Adam Christie of ABN Amro Hoare Govett, said a Pfizer/ Glaxo deal made "basic sense", but most industry specialists were sceptical about a deal

being imminent. They said that the story grew out of the futures market - a traditional rumour hothouse - and pointed out that Glaxo shares had dropped by 11 per cent since the full-year figures were announced on March 6.

By the close, Glaxo was standing 2314 ahead at 83514p following turnover of 11m

Oil stocks were back on investors' shopping lists, with BP leading the pack on a combination of technical and fun-

damental support. First, one broker received an order for some 2m shares, and as word of the order went around the market and traders scrambled for stock in a difficult, falling market, the share price was squeezed higher.

Then, an announcement was made about Cupiagua, the Colomhian field in which BP has a 15 per cent stake. The announcement, from Triton Energy, said testing of the Cupiagua-5 well in the Cupiagua Field has extended the oil column in the field to 5.508 feet, making it the thickest oil column ever encountered in a Colombian oil field, BP said its estimates for the Colombian

reserves remained unchanged. BP advanced 121/2 to 5681/2. while Shell Transport added 7 at 865p and Enterprise Oil put on 2 at 423p.

Securicor continued to head the FT-SE Mid 250 rankings, pushed up by a swathe of broker buy notes and hopes for an early inclusion in the senior Footsie index.

The shares have been a strong market since Monday's announcement of plans to streamline the group's capital structure and that of its associate, Security Services. The two have a combined market capltalisation of around £1.4bn, enough in theory to qualify for the FT-SE 100 index.

ABN Amro Hoore Govett expects Footsie status to be achieved sometime in the autumn, and sees scope for "significant outperformance over the medium term". The broker expects Securicor to revive plans to sell its 40 per cent stake in Cellnet "in coming months".

Securicor "A" traded 3.2m. the heaviest single day volume since late 1991. The shares put on 120 at 1175p\up 19 per cent in two days. Security Services

added 118 at 1168p. Profit-taking ahead of today's start to conditional dealings in mobile phones rival Orange left Vodafone 2 lighter

at 248p. Royal Bank of Scotland fell sharply for the second day running as Credit Lyonnais Laing, one of the bank's brokers, cut its forecasts for current year

Laing has taken a hard look at the prospects for Direct Line, the RBoS insurance subsidiary, which is expected to suffer from a highly competitive motor insurance market and a spate of harsh-weather claims. Laing was not available for comment but, according to some dealers, they expect Direct Line profits to balve

Ordinary Share hourly change

SEAO bargains Equity turnover (Cm)† Equity bargains† Shares traded (mi)†

Rises and falls

FINANCIAL TIMES EQUITY INDICES

3.83 18.34 16.03

Mar 28 Mar 25 Mar 22 Mar 21 Mar 20 Yr ago

Open 9.00 19.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low

2750.0 2747.8 2748.6 2752.5 2748.8 2748.6 2748.1 2737.4 2738.4 2750.0 2734.2

42,894 1586.6 50,556 710.3

52 Week highs and lows

2739.9 2755.6 2769.1 2769.3 2756.4 2385.4 2807.9 2238.3 2.96 3.83 3.92 3.92 3.94 4.42 4.73 5.76 16.24 16.34 16.34 16.72 16.72 16.72 21.33 15.55 15.92 16.03 18.09 16.07 18.00 16.57 22.21 15.17

Mar 26 Mar 25 Mar 22 Mar 21 Mar 20 Yr ago

39,643 2070.6 48,346 724.6

LIFFE Equity options

40,827 2164.4 47,132 786,7

Mar 26 Mar 25 Mar 22 Mar 21 Mar 20 Yr ago THigh 996.00 667.20 998.80 392.30 976.10 - 1054.62

help the rest of the composite insurers, with General Accident slipping 9½ to 625½ and Royal Insurance 6 to 349p. Fears about the current cat-

The feel-bad factor did not

tle scare continued to unsettle several food producers. Uni-Northern Foods 3 to 180p and Dalgety 11 to 413p.

Hillsdown followed the market lower to close 4 off at 188p, in trade of 2.1m. A further retreat was prevented by a recommendation from BZW, which yesterday issued a cov-

ered warrant on the stock. Sims Food Group, which fell heavily last week, found support. Dealers continued to believe the government will soon be forced to announce a large-scale cull of cattle - Sims has several abattoirs. The shares put on a penny at 20p. Solid results and a big disposal programme gave sentiment a clear lift at transport

about possible financing moves plus doubts about freight vol-

son stayed a seller.

of 4.7m.

new low of 66p. Construction group Taylor Woodrow shot ahead following forecast-trouncing results and a 33 per cent increase for the dividend. BZW. which had been at the bottom of the estimate range, upgraded by £10m to £60m for the current year.

The results sparked broker

upgrades, although the City

by £10m to £340m for this year

and remained a buyer of the

shares. Charterhouse Tilney

pushed on by £7m to £302m, and along with Kleinwort Ben-

Eurotunnel continued to

plumb new denths. Worries

umes left the shares off 2 at a

The shares surged almost 8 per cent, gaining 11 at 1490. Strong and improving net cash balances sparked talk of another share huyback by the group.

German exposed building stocks had a bad day. Pilkington came off 21/4 to 2061/ap and RMC shed 6 to 988p. But the nervousness mostly bunched around Redland, which puts out results tomorrow. The shares closed off 9 at 386p.

Asda Group remained a good trade and saw volume of 11m. The shares hardened ¼ to 105p as bid talk continued to circulate around the stock. Poor first-quarter numbers

from Dutch giant Philips combined with a profits warning from Filtronic Comtek to cast a long shadow over a number of high-tech electronics stocks. Filtronic tumbled 22 to 353p. Telspec 22 to 673p and Psion 20

Sector leader GEC, strong of late on the back of planne management changes, was the second worst performing Foot-sie stock, off 11½ to 357½p. Zeneca lost 10 to 1341p.

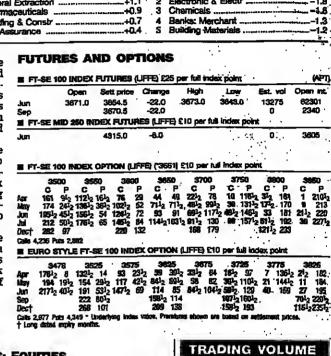
leader P&O, which rose 8 to hoping for good news late 522p in above average volume tomorrow. The US Food and Drug Administration's advisory committee is to discuss approval of Accolate, Zeneca's range was wide. UBS moved up asthma product. Merrill Lynch has factored in sales of around

> £200m by 1999. The US was a natural home for JD Wetherspoon, the pub group, in its £13.5m private placing, at 786p a share. The stock jumped 41 to 832p, following the placing, though Wether-spoon said it had no plans to

expand to the US. Analysts suggested the rise in Greenalls was nothing but a technical bounce. The shares rose 14p to 58lp. The stock reached an all-time peak of

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

608.5p in late January.



\$3,000 1.4000 1.

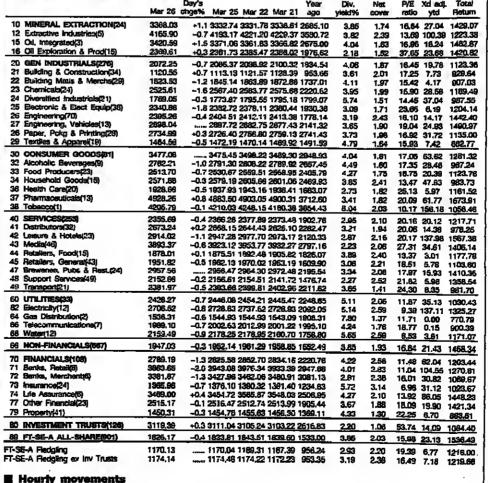
+11.4 +42.9

LON											
price	Amt paid	Mic.	40	96		Close		Net	Div.	Ore	PÆ
p	up	(Em.)	High	Low	Stock	P	+/-		COV.		net
185	F.P.	37.1	183	190	†Pirst Info	183	42	-	-	_	-
-	F.P.	45.7	54	53	Fleming Wild Inc	53		4,56	-	9.5	
-	F.P.	78.4	92	91	Fleming Wrld Uni	91		_	-	5.7	
12	F.P.	55.0	1612	14	†Freepages	15	+12	V-	-	-	
154	F.P.	58.9	188	183	Fulriter	188		Lv4.3	27	2.0	16.
-	F.P.	30.9	143	106	TOC Inti	126	+3	-	٠.	-	
100	F.P.	30.0	100	98	Inti Biotech C	100			-	-	
100	50	22.9	53	50	Life Offices Opport	53	+1	-	-	-	
-	F.P.	66.6	2412	20	M & G Equity Cap	224	_	-	-	-	
-	F.P.	5.17	92	88	M & G Equity Div	90			-	-	
-	F.P.	66.4	45	42	M & G Equity Inc	44		-	-	-	
145	F.P.	110.7	191		Macdonald Hotels	189	-2	D.PVWR	2.3	2.6	20.
125	F.P.	15.1	130	125	†Marine & Merc	125	-	-	-		
-	F.P.	28.5	698	695	New Asia Funct	695		-	-	-	
500	F.P.	176.0	510	39	Perp Inc & Gwth	510		•	. =	-	
100	F.P.	16.5	105	103	†Printy Hith Props	103		-	-	-	
-	F.P.	204.0	258	241	Schroder UK & Uts	255	ᅫ	-	-	-	
3	F.P.	4.96	3.4		Silver Shield	334	_	V-	-	•	150
120	F.P.	37.8	141	123	Stadium Group	137		LV3.8	3.1	3.5	11,
180	F.P.	108.5	188	175	Streamine	175		Wv7,7	1.7	5.5	13.
135	F.P.	45.1	183	153	Triad Group	183		Rv2.35	3.0	1,6	24.
185	F.P.	116.8	254	218	Visual Action	254	+1	Rv4.7	29	23	18.

154	F.P.	58.9	188	183 Fuln	NET T	188		Lv4.3	27	2.0	16.4
	F.P.	30.9	143	108 TO	C Inti	126	+3	-	٠.		-
100	F.P.	30.0	100	98 Inti	Biotech C	100			-	-	-
100	50	22.9	53	50 Lafe	Offices Opport	53	+1	-	-	-	-
-	F.P.	66.6	2412	20 M &	G Equity Cap	224		-	-	-	
-	F.P.	5.17	92		G Equity Div	90		٠.	_	-	-
-	F.P.	66.4	45	42 M S	G Equity Inc	44		-	-	-	ım.
145	F.P.	110.7	191	145 Mac	donald Hotels	189	-2	D.PVWR	2.3	2.6	20.6
125	F.P.	15.1	130	125 TM2	rine & Merc	125		-	-	-	-
	F.P.	28.5	698	695 Nov	Asia Funct	695		-	-	-	-
500	F.P.	176.0	510		inc & Gwth	510		•		•	•
100	F.P.	16.5	105	103 †Pm	my Hith Props	103		-	´-	-	-
-	F.P.	204.0	258	241 5ch	noder UK G Uts	255	412	-	-	-	-
3	F.P.	4.96	3-4	312 Silve	Shield	334	_	V-	-	•	15.6
120	F.P.	37.6	141		fum Group	137		LV3.8	3.1	3.5	11.5
180	F.P.	108.5	188	175 Stre	amina	175		Wv7.7	1.7	5.5	13.2
135	F.P.	45.1	183	153 Trian	Group	183		Rv2.35	3.0	1,6	24.2
185	F.P.	116.8	254	218 Viso	al Action	254	+1	Rv4.7	29	23	18.6
-	FP.	0.31	- 6	5 Wat	m Select Wit	- 5					•
Share Se	rwce r	iotes.		For a full of ES IN	DEX	other syn	nbols	please re	fer 10	The L	predon
			Mar	% chg	Mar Year	Gross	dy	. P/E .	.52	(ind)	

FT GOLD	MINI	ES I	NDE.	X				
	Mar 25	% chg on day	Mar 22	Year .	Gross tily yield %	P/E .	.52 w High	Low
Gold Mines Index (33) M Regional Indices	2322,81	+1.7	2284,96	1823,72	1.42	-	2520,73	1722.93
Africa (16)	3195.54	+2.0	3133 81	2514.58	2.64	34.75	3553,86	2272.74
Australasia (5)	2618.99	+0.4	2609.25	2122.03	2.42	28.79	2927.34	1986.83
North America (12)	2029.02	+1.7	1994.81	1584.23	0.67	64.32	2186.39	1468.0

### Copyright, The Pinanciel Times Limited 1996. "F7 Gold Mines I Times Limited. Figures in brackets show number of companies, ( 31/12/92, † Partial. Latest prices were unavailable for this edition." although some analysts are FT - SE Actuaries Share Indices P/E Xd adj. Total ratio ytd Return Day's Year Mar 26 chge% Mar 25 Mar 22 Mar 21 ago Div. yieki% 14.51 50.62 1483.56 14.51 50.62 1483.56 11.13 48.42 1771.14 19.90 51.73 1725.55 15.60 24.48 1529.14 12.76 30.68 1243.46 19.69 18.29 1307.55 22.54 11.80 1696.63 20.15 11.80 1693.85 15.98 23.13 1536.49 4.05 3.43 3.54 3.92 5.13 2.78 3.07 3.27 3.85 2.13 1.72 1.77 2.05 1.91 2.29 1.81 1.90 2.03 FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex lay Tru 3860.9 4294.5 -0.6 3681.9 3707.0 3688.3 3128.3 FT-SE-A 350 FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield -0.4 1905.0 1912.5 1911.0 1541.3 ...... 2085.78 2086.51 2083.56 1709.20 ...... 2072.08 2073.78 2070.52 1685.47 -0.4 1833.81 1843.51 1839.60 1533.00 FT-SE SmallCap FT-SE SmallCap ex Inv Tru FT-SE-A ALL-SHARE **■ FT-SE Actuaries All-Share** Day's Year Div, Net P/E Xd adj. Total Mar 26 chge% Mar 25 Mar 22 Mar 21 ago yield% cover retio ytd Return 10 MINERAL EXTRACTION(24) 3368.03 12 Extractive industries(6) 15 Oil, Integrated(3) 16 Oil Exploration & Prod(15) 20 GEN INDUSTRIALS(276) 21 Building & Construction(34) 22 Building Mails & Merchs(29) 23 Chemicals(24) 24 Diversified Industrials(21) 25 Bectronic & Elect Equip(36) 26 Engineering(70) -0.7 2086.37 2098.92 2100.32 1934.54 +0.7 1113.13 1121.57 1128.39 953.66 2072.25 -1.2 1845.14 1863.89 1872.88 1737.01 26 Engineering(70) 27 Engineering, Vehicles(13) 26 Paper, Pokg & Printing(26) 29 Textiles & Apparei(18)



	Ореп	9.00	10.00 11	.00 12	.00 13.0	0 14,00	15.00	16.10	Close	Previous	Change
FT-SE A	tuaries	350 i	industr;	y bask	ets						
mp of FT-SE 100 D	ley'a hight 8:30	AM Dey's	lovs 2:50 P	M. F7:SE 1	00 1995 Hig	× 3781.2 102	/02/98) Lo	v: 2854.2 (2	3/01/95).		
T-SE-A 350	1853,4	1847.1	1848.S	1850.5	1848.7	1848.6	1848.5	1843.3	1845.8	1853,4	1841.5
T-SE Mfd 250	4298.1	4295.1	4295.9	4298.0	4299.3	4299,4	4299.3	4294.1	4295.2		4293.9
T-SE 100	3880.2	3664,7	3668.1	3872.7	3867.9	3668.2	3667.2	3655.3	3660.8	3880.2	3851.1
_	Open	9.00	10.00	11,00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
Hourty m	ovemer	rts									
T-SE-A Fledgling	ex inv Trust	ts	1174.14	117	4,48 1174,2	2 1172.23	953.35	3.19	2.38 1	6.49 7.18	1219.66
T-SE-A Fledgling			1170.13		0.04 1169.3			2.93	2.20 1	9.39 6.77	1216.00
89 FT-SE-A AL	L-SHAFIE(80	1)	1826,17	-0.4 183	3.81 1843.5	1 1839.60	1533.00	3.85	2.03 1	5.98 23.13	1536.43

1106.2 1108.1 1110.6 1112.1 4833.9 4618.2 4827.5 4892.1 2169.3 2169.1 2168.7 2160.7 3979.1 3960.1 3962.5 3849.7 1112.1 1112.3 1112.5 1112.3 1113.0 1113.0 1101.8 4880.5 4879.2 4878.1 4859.7 4873.0 4873.4 4830.5 2155.6 2154.9 2154.9 2156.2 2152.5 2152.2 2171.3 3937.0 3837.6 3835.8 3812.5 3908.6 3913.0 3893.4 Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues,
"The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the institute of Actuaries. © FT-SE International Limited 1996, All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE international Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footies" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE international Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and not covers greater than 30 are not shown. ‡ Values are negative.

### MINORCO NOTICE TO HOLDERS OF BEARER SHARE CERTIFICATES PAYMENT OF COUPON No. 17

With reference to the notice of final dividend advertised in the press on March 15, 1996 the following information is published for the guidance of holders of bearer share certificates. The dividend of 42 cents was declared in United States currency. The dividend will be paid on or after May 10, 1996, against surrender of Coupon No.17 detached from bearet share certificates as follows:

(a) at the offices of the Curporation's Continental paying agents: Crédit du Nord 34, rue des Mathurins Banque Générale du Luxembourg 14, rue Aldringen Luxembourg Grand Duchy of Luxembourg 75008 Paris

France (h) at the London Securities Department of Barclays Bank plc.

Stock Exchange Services Dept., 168 Fencharch Street.

London ECAP 3HP. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control tegulations), payment will be made in United Kingdom

(ii) in respect of coupoos lodged on or prior to May 3, 19%, at the United Kingdom cutteney equivalent of the United States currecey value of the dividend on April 23, 1996; or (ii) in respect of enupons lodged on or after May 4.

1996, at the prevailing rate of exchange on the day the proceeds ore remitted to the Loodon Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination reight days if payment in United States currency has been requested and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.
United Kingdom income tax will be deducted from payments

to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coapons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom Income tax at 20% will be 33.6 cents (United States) per share.

Income tax at 20% will be 33.6 cents (United States) per share. In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Annual Report of Minoton for the year 10 December 31, 1995 will be available from the Registered Office of the Corporation and the offices of the paying agents referred to above on or about April 4, 1996.

By Order of the Board N Jordan, Secretary March 27, 1996

R.C. Luxembourg No. B12139

FIDELITY DISCOVERY FUND Société d'Investissement à Capital Variable Registered office: Kansallis House - Place de l'Eloile L-1021 Luxembourg

R.C. No B 22250 NOTICE OF EXTRAORDINARY GENERAL MEETING

Nutice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Discovery Fund (the "Fund") will be held at the registered office of the Fund in Luxembourg on Thursday April 4, 1996 at 2,00 pm to consider the following agenda:

. To hear the report of the liquidator . To appoint an auditor to the liquidation

Since the net assets of the Fund have decreased below two thirds of the equivalent of 50 000,000 Luxembourg francs, no quorum is re-quired for the meeting and the resolutions will be passed with the con-sent of a simple majority of the shares represented at the meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to uwnership of shares which constitute in the aggregate more than three percent (3%) of the outstanding chares, such share is entitled to one vote. A shareholder may act at any meeting by proxy



# Financière CSFB N.V. Junior Guaranteed

U.S. \$150,000,000

**Undated Floating Rate Notes** Guaranteed on a subordinated basis as to payment of principal and interest by

Financière Crédit Suisse-First Boston

CSFB

Interest Rate Interest Period

5.5625% per annum 27th March 1996 27th June 1996

Interest Amount due 27th June 1996 per U.S. \$ 5,000 Note per U.S. \$100,000 Note U.S. \$1,421.53

U.S. \$71.08

CS First Boston Agent

U.S. \$30,000,000 CRÉDIT D'ÉQUIPEMENT DES PETITES ET MOYENNES ENTREPRISES

**Undated Subordinated Floating Rate Notes** For the Interest Period from March 27, 1996 to September 27, 1996 the rate has been determined at 6.71875% per armum. The amount payable on September 27, 1996 per U.S. \$1,000,000

principal amount of Notes will be U.S. \$34,340.28.

By: The Chase Manhattan Bank, N.A. London, Agent Bank March 27, 1996



AIRCRAFT LEASE PORTFOLIO SECURITISATION 92-1 LIMITED

U.S.570,400,000 Secured Class A3 Floating Rate Notes due June 1997 Notice is hereby given that the Rate of Interest has been fixed at 6.1375% and that the interest payable on the relevant Interest Payment Date June 27, 1996, in respect of U.S.\$28,200 nominal of the Notes will be U.S.\$442.31 and in respect of U.S.\$14,100 nominal of the Notes will be U.S.\$221.15.

March 27,1996. London Bv: Clibank, N.A. (Issuer Services), Agent Bank CITIBANG

THE TOP OPPORTUNITIES SECTION

For senior management positions. For information please contact:

> **Robert Hunt** +44 0171 873 4095

> > Lail : 12

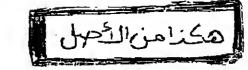
MARCH 27 19%

res traded

ming sectors

Electr
hare
lensis

. 157 1



29

	of - High Law Yid Pre	WORLD STOCK MARKETS	
	EUROPE  ABSTRIA (Mar 26 / Sch)  Austria (Mar 26 / Sch)  Balari (Mar 27 / Sc	Spacing 1,000 ~20 1,000 010 1.2 Nucley 34 80 ~10 61 50 23 16 56 Accessed 12 ~50 161 131 21 Docade 539 ~1 578 Sc6 Np.Orib. 416 ~33 ~3 145 113 980 770 59 5 5886 Briton a 12 ~50 161 131 21 Docade 539 ~1 578 Sc6 Np.Orib. 416 ~3 130 ~3 145 Np.Orib. 416 Np	Gen Lowe 15 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m
	Find   71 0	Finder 5/2 = 13 [870 - 225 3.444 4,300 9.0 Strill 101 50 - 3.50 125 87.50 2.0	1900.000 (1900.000 )
*	SCE 1300 - 5 210 83.10 5.8  CZECH REP (Mar 26 / Koruna)	Finance 1,430 -3,1560,1210 24 Johnson 1,000 -70,1220 711 07 Seminar 1,000 -10,1160 150 150 150 150 150 150 150 150 150 15	
	RS 8	SALMY 1503 -5 123 201 -	
4	Fill AND (Mar 26 / Mics)  Amer A 74 95.30 64 41 95.30 64 42 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 41 95.30 64 65 65 65 65 65 65 65 65 65 65 65 65 65	The 15 Act	11124 1212 1212 1212 1212 1212 1212 121
	Act   1.50	Self 13 2 2 80 12 2 3 5 6 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	125425 151014 1017 1017 1017 1017 1017 1017 1017
	Mar	26 25 22 High Low 25 22 1 High Low 18th	
	Finalment MEX General 26/17/2900 1848.12 1870.52 1867.55 2332.22 14/9/95 1558.30 29/19/95 Finalment MEX General 26/17/2900 1848.12 1870.52 1867.55 2332.22 14/9/95 1558.30 29/19/95 Finalment Finalm	185 Fold (2004) 1857   1814.5 1776.0 202.00 21/45   1282.0 371/45   1822.0	En.
	Secondary   Seco	Sim Top - 100/25/65/0   4/05/10   14/14/5	CE V V ode

WORLD STOCK MARKETS

| 1598598 | VAL PY State | 1598 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 1698 | 169

4 pm close March 26

TM. PY Sh. Phys. Sh. Phys. Sh. Phys. Sh. Phys. Sh. Phys. Phy

10es586
High Low Stack
485-2 34 Custriffe
12-2 11 Custriffe
55-3 56-2 Origins
11-2 97-2 Origins
39-2 14-2 October
39-2 14-2 October
32-2 24-2 Options
32-2 24-4 Options
88-2 31-2 Option Press.

上午 ないまいないないないない 44 +1 

4 

1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/06 | 1995/0 0--P-Q-...

BE OUR GUEST. (\$) Sheraton **Brussels Airport** 

52 h 37 k 3 Shor F 53 39 h J Reer Le 13 h 7 h Jeston En 13 h 17 k Jeston En 10 h 7 k Jeston En 10 h 7 k Jeston En 10 k 69 Jeston En 10 k 69 Jeston En 10 k 57 h Johann 12 7 h Johann 23 h 17 k Johann 23 h 17 k Johann

8.10 0.4 8 8977 1.25 2 25 25 1.4 1.2 286 13.2 3 158 22 1 2 15 2 1.4 1.2 2 1.0 0.5 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.4 1.2 2 1.5 2 1.5 2 1.4 1.2 2 1.5 2

25% 12% BP Inc
25% 10% P Tim
10% 9 SIT Prophy
5 25% BP AS
31% 22% BP AS
21% P AS
21% BP AS
22 21% BP AS
22 21% BP AS
23% 21% BP AS
23% 21% BP AS
25% 10% BP

-14 +14 -15 -12 上 子子 日本子子 日本

\*\*\*\* \*\*\*

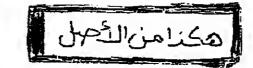
The was told to 37 00 61 in more

HOTEL When you stay with us in BRUSSELS

NYSE COMPOSITE PRICES

Barrier Charles and Charles and Charles and

4 pm close March 26



020 17 224 235<sub>8</sub> 221<sub>2</sub> 23<sup>1</sup>4

16 5444 18<sup>1</sup>2 17<sup>3</sup>4 17<sup>3</sup>6 -<sup>1</sup>2 Yellow 0.94 12 3304 13<sup>2</sup>3 12<sup>2</sup>6 12<sup>1</sup>8 -<sup>1</sup>8 784 30<sup>3</sup>4 29<sup>3</sup>4 30<sup>3</sup>4 -<sup>3</sup>4 Yerk Rich 21 803 6<sup>1</sup>2 5<sup>3</sup>4 0

111 3033 63<sup>1</sup>2 60<sup>1</sup>2 62<sup>1</sup>2 -1 Zionsiltzin 1.64 12 550 72 70<sup>1</sup>2 71 .12

21 803 6<sup>1</sup>g 5<sup>3</sup>4

NASDAQ NATIONAL MARKET 4 pm close March 26 97 Sts Dir. I 100s High Low Last Chang 77 Sts Disc. E 100s High Low Last Chen Stock Div. E 100s High Low Last Comp Stock Stock Continued from previous page Dep Gy x 1.32 12 51 46<sup>3</sup>c 46 46 -ig

becam 0.23 38 34 9<sup>4</sup>g 9 9<sup>4</sup>g

13 DH Yech 19 1835 24<sup>3</sup>g 24 24<sup>2</sup>4 +ig

Dep and 20 2040 29<sup>1</sup>c 22<sup>5</sup>c 28<sup>3</sup>g -ig

15 Dig Secon 11 566 9<sup>4</sup>g 35<sup>5</sup>g 9<sup>1</sup>g +ig

10 Dig Secon 5 1442 1<sup>1</sup>c 11<sup>1</sup>c 11<sup>2</sup>c -ig ABS India 020 1 656 1<sup>1</sup>4 1 1<sup>1</sup>8 ACC Corp 0 17 37 596 2914 2714 2814 +19
ACC Corp 0 17 37 596 2914 2714 2814 +19
Acc claim E 12 1688 1914 7914 1915 -14
Accessing Co 42 1537 2914 26 2912 +18
Big Micro
Record Co - R -Labone 0.72 72 109 18 15<sup>1</sup>4 15<sup>1</sup>4 13 577 174 174 174 -12 Ladd Furn 0.18 3 281 1152 1118 1118 118 118 Lann Risch 80777 3612 3412 36 +34 0 787 2 117 2 14 Lam Rech 8 0777 36<sup>1</sup>2 34<sup>1</sup>2 36 9 110 18% 18 1814 2818400 4914 4514 4814 RCSB Fin 0.48 10 749 23 1 23 18 23 14 ADC Tele Lancaster 0.68 15 593 3814 3714 3814 ADC Tate 35 4602 36<sup>1</sup>4 35<sup>1</sup>4 35<sup>1</sup>2 36<sup>1</sup>4 36<sup>1</sup>2 46000000 10 583 72<sup>7</sup>4 11<sup>1</sup>4 12 ASIAADR 016 12 18 27<sup>7</sup>2 27<sup>5</sup>3 27<sup>1</sup>8 19 213 154 14% 14% Deg Syst Lance Inc. 0.96 69 2361 18½ 15½ 15½ 15½ 1 1400mKGpt 19 9353 17½ 018½ 16½ 1½ 1½ 1½ 12 1400mKGpt 11 166 8½ 7½ 7½ 2½ 2½ ½ 1½ 1½ 1500mK 13 484 2½ 2½ 2½ 2½ 2½ 1½ 14 1400mK 13 1400mK Read-Rea 8 4571 187 181 181 1834 +1 LandenkGph Laneptics 14 983 1914 1534 1678 0 196 114 114 114 Repub Ind 35424 285 2712 2858 +16 26 1902 24 224 2358 +14 Resound Reuters 25 774 11<sup>3</sup>2 19<sup>3</sup>4 11 0.96 2612001 63 62 62<sup>1</sup>2 Lawson Pr 052 12 207 231 225 225 48 LDI CD 018 1 00 4 4 4 0.40 12 23 23 22 29 29 Drug Emon C.08 14 180 3½ 3½ 3½ 3½ 1½ DS Bancer 1.09 11 534 23½ 29 23½ 1½ Durton 0.52 21 1296 23½ 27 27¼ -1¼ Dynatech 31 412 23¼ 23¾ 23 Life Tech s 0.20 T1 118 29<sup>1</sup>2 28<sup>1</sup>2 29<sup>1</sup>2 +5 Lickene 23 3 12<sup>1</sup>2 11<sup>1</sup>4 12<sup>1</sup>3 +1<sup>2</sup>4 Linybuth 0.32 13 30 13<sup>1</sup>2 13<sup>1</sup>2 13<sup>1</sup>2 1581 13<sup>3</sup>4 13<sup>1</sup>2 13<sup>3</sup>4 Richigent 0.12 11 65 5<sup>3</sup>s 5<sup>3</sup>s 5<sup>3</sup>s 5<sup>3</sup>s Roosevert 062 18 1039 16<sup>7</sup>s 18<sup>3</sup>s 16<sup>3</sup>s Roose Str 0.28 14 1933 20<sup>1</sup>s 26<sup>1</sup>s 26<sup>1</sup>s 26<sup>1</sup>s MODACH 1.79 9 217 56% 5612 5814 +18 Lincoin 7 a 0.60 18 1614 20 1934 20 Lindsayldi 14 33 32 31 32 Linearline 0 16 2710010 4214 3914 40 Ryan Fmly 14 8205 u8 3 8 12 8 3 + 14 Liquidox 0.44 15 24 30 29 4 30 14 - E -Loewen Gp 0 10 30 1316 291a 283a 287a +12 3 182 2<sup>1</sup>4 2<sup>1</sup>5 2<sup>1</sup>5 <sup>1</sup>5 3 2<sup>1</sup> 1 1 1 <sup>1</sup>5 0.05 20 1620 22<sup>1</sup>5 22<sup>7</sup>6 22<sup>1</sup>5 <sup>1</sup>4 Leesessia 20 2818 381<sub>8</sub> 371<sub>4</sub> 371<sub>2</sub> -1<sub>8</sub> Loos Star 22 967 101<sub>4</sub> 97<sub>8</sub> 101<sub>4</sub> -1<sub>8</sub> LTX Cp 11 4253 81<sub>2</sub> 71<sub>8</sub> 8 -1<sub>4</sub> LYAMH 852 30 68 491<sub>2</sub> 491<sub>4</sub> 491<sub>2</sub> America Co. 275029 527g 511g 511g -11g
America Co. 275029 527g 511g 511g -11g
America Co. 61 1 1731 351g 341g 351g -11g
America Co. 61 1 1731 351g 341g 351g -12g
America Co. 6207 429 4 31g 37g -12g
America Co. 6207 429 4 31g 37g -12g
America Co. 6207 429 4 31g 37g -12g
America Co. 64 17 4943 271g 27 771g -12g
America Co. 64 17 4943 271g 27 771g -12g
America Co. 64 17 4943 271g 27 771g -12g
America Co. 64 17 4943 271g 27 771g -12g
America Co. 64 17 4943 271g 27 771g -12g
America Co. 65 18 91g 37g 29g -12g
America Co. 65 18 91g 187g 29g
America Co. 65 18 91g 187g 29g
America Co. 65 18 91g 187g 29g
America Co. 65 18 91g 187g 187g
America Co. 65 18 17 11g 111g
Andrew Co. 67 18 18 177g 177g
America Co. 68 177g
America Co. 68 177g
America Co. 68 17g
Amer - S -8512725 912 838 914 14 11 222 19 18 1812 1.49 4 44 51 5058 51 -58 Safeco 1 09 18 2193 341<sub>2</sub> 34 341<sub>2</sub> 1.89 4 44 51 50<sup>5</sup>g 51 -5g
28 6480 25<sup>5</sup>g 23<sup>1</sup>g 24<sup>1</sup>g -4<sup>3</sup>g
38 19 17 4<sup>1</sup>g 4 4 4 4 4 4 4
16 475 13 12<sup>1</sup>g 17<sup>1</sup>g
10 1 3043 27<sup>2</sup>g 2<sup>2</sup>g 2<sup>1</sup>g 2<sup>1</sup>g
3 55 3427<sup>2</sup>g 27<sup>1</sup>g 27<sup>2</sup>g
5 11 28 15<sup>2</sup>g 15<sup>2</sup>g 15<sup>2</sup>g
5 22 1811 4<sup>2</sup>g 4<sup>2</sup>g 4<sup>2</sup>g 4<sup>2</sup>g 4<sup>2</sup>g
6 22 24 534 24<sup>2</sup>g 4<sup>2</sup>g 4<sup>2</sup>g 4<sup>2</sup>g
6 22 24 534 24<sup>2</sup>g 22<sup>2</sup>g 22<sup>2</sup>g -2<sup>2</sup>g
133 52 9<sup>2</sup>g 9<sup>2</sup>g 9<sup>2</sup>g 4<sup>2</sup>g
13 62 9<sup>2</sup>g 9<sup>2</sup>g 9<sup>2</sup>g 4<sup>2</sup>g
13 62 9<sup>2</sup>g 9<sup>2</sup>g 9<sup>2</sup>g 4<sup>2</sup>g
13 62 9<sup>2</sup>g 9<sup>2</sup>g 9<sup>2</sup>g 4<sup>2</sup>g
14 629 25<sup>2</sup>g 23 24 -<sup>2</sup>g
27 3313 18 15<sup>2</sup>g 15<sup>2</sup>g 23<sup>2</sup>g -<sup>2</sup>g
20 54 13<sup>2</sup>g 12<sup>2</sup>g 25<sup>2</sup>g -<sup>2</sup>g
19 738 25<sup>2</sup>g 25<sup>2</sup>g 25<sup>2</sup>g -<sup>2</sup>g
19 738 25<sup>2</sup>g 25<sup>2</sup>g -<sup>2</sup>g -<sup>2</sup>g MCI Cra 805 3757272 3012 2938 3012 1/4 MS Car's MSC MSD 18 272 183<sub>8</sub> 17<sup>1</sup>2 183<sub>8</sub> 0.80 7 8 13<sup>1</sup>4 13<sup>1</sup>4 13<sup>1</sup>4 10 156 4<sup>1</sup>8 3<sup>2</sup>6 3<sup>2</sup>4 120 32 175 37 36<sup>1</sup>2 36<sup>1</sup>8 | MacKell | 0.50 7 8 | 13 4 | 13 4 | 13 4 | -1g | MacKell | 0.50 7 8 | 13 4 | 13 7 3 40 1 | -1g | MacKell | 0.50 8 | 12 342 | 22 7 22 7 22 7 2 1 4 | 14 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 | 13 4 Seefield SEI Co Sevenson 0.22 10 538 18<sup>1</sup>8 15<sup>1</sup>2 18<sup>1</sup>8 Shrifted 0.84 36 1314 52<sup>3</sup>8 60<sup>1</sup>4 60<sup>1</sup>8 16 220 5 43<sub>8</sub> 41<sub>8</sub> 14 1331 14<sup>16</sup> 145<sub>5</sub> 147<sub>8</sub> 900 261 18<sup>1</sup>2 18 18 39 1961 35<sup>1</sup>2 34<sup>1</sup>4 34<sup>1</sup>2 McGrath R 0.56 11 40 19 18 2 19 +14 McGrame 0.56 20 3428 23 22 2 22 38 -14 Sierra On Fall Gro 16 2073 512 514 512 715

Feat Cro 0.24 11 6 91a 95a 91a

Fasteriol 0.25 31 1099 33 374 385a 15a

Fifth That 1.04 20 6767 105912 5214 555a 11a

Fifth That 1.04 20 6767 105912 5214 555a 11a

Figure A. 0.24 14 25 131a 125a 125a 14a

Fist Renc 1.05 13 1708 331a 125a 125a 14a

Fist Seaty 0.04 17 4401 11712 2622 2712 11a

Fist Tene 1.05 13 1708 331a 125a 331a

Fist Seaty 0.04 17 4401 11712 2622 2712 11a

Fist Tene 1.05 13 1708 331a 125a 331a

Fist Seaty 0.04 17 4401 11712 2622 2712 11a

Fist Tene 1.05 13 1708 331a 125a 331a

Fist Fine 1.05 13 15a 31a 31a 14a 11a

Fist Fine 1.05 15 15 15a 51a 14a 11a

Fist Fine 1.05 9 879 211a 21 21 21 14a

Fist Fine 1.05 9 879 211a 21 21 21 14a

Fist Fine 1.05 9 879 211a 21 21 21 14a

Fist Fine 1.05 13 145 33 301a 305a 13a

Fisterion 1.05 13 145 33 301a 305a 13a

Fisterion 1.05 13 145 33 301a 305a 13a

Fisterion 1.05 13 145 32 2714 271a 11a

Fisterion 1.05 13 145 33 301a 305a 13a

Fisterion 1.05 13 145 32 2714 271a 11a

Fisterion 1.05 13 145 32 2714 271a 11a SigmAl 044 22 909 58<sup>1</sup>/<sub>4</sub> 57 58<sup>1</sup>/<sub>4</sub> SigmAl 044 23 909 58<sup>1</sup>/<sub>4</sub> 57 58<sup>1</sup>/<sub>4</sub> SigmAlDes 43339 9<sup>1</sup>/<sub>2</sub> 8<sup>1</sup>/<sub>4</sub> 21<sup>1</sup>/<sub>4</sub> 22<sup>1</sup>/<sub>4</sub> 21<sup>1</sup>/<sub>4</sub> 22<sup>1</sup>/<sub>4</sub> SigmNbo 12 1209 24 23<sup>1</sup>/<sub>4</sub> 23<sup>3</sup>/<sub>4</sub> 23<sup>3</sup>/<sub>4</sub> - F -Mediecine 016 47 180 113 113 113 117 Mediamor 0.24 11 115 814 73 8 8 14 Simpson 040 10 372 93g 91g 91g SmithEnvT 37 45 33g 311 33g 37 45 3% 3½ 3½ 3% 57 1067 27% 27½ 27½ 1 200 3.00 215 213 Amel 2117273 274 277 27 44 Fish Am Amel 2117275 2514 275 2514 44 45 414 45 Fish Bear Amassa 0.24 27 9014 3812 25 3814 43 Fisherm America 0.24 27 9014 3812 25 3814 43 Fisherm Amorros 0.24 27 9014 3812 35 3814 43 Fisherm Amorros 0.24 27 9014 3812 372 372 Fisherm Fisherm 0.25 8 925 17 1614 1672 412 Fisherm Market 1 602 314 372 372 Fisherm Market 1 602 8 925 17 1614 1672 412 McPode A 818 17 889 154 15 151<sub>2</sub> +1<sub>2</sub> MPS Cm 14 3750 63 61 4 63 +14 Michael F 020 11 484 10<sup>1</sup>2 10<sup>1</sup>4 10<sup>1</sup>5 Microtope 141 562 10<sup>1</sup>6 9<sup>2</sup>6 8<sup>2</sup>6 -<sup>1</sup>6 Microcom 43 1783 32 30<sup>2</sup>4 91<sup>2</sup>6 -<sup>3</sup>4 2 86 4 12 4 30172994213 2014 21 + 58 Staples 60 7583 22 21 lg 21 % +14 Mergrab. Merpris 65 489 13<sup>1</sup>8 13<sup>1</sup>8 13<sup>1</sup>8 14 0 4215 2<sup>3</sup>6 2<sup>1</sup>8 2<sup>3</sup>1 + 1 Std Micro Std Micro 28 1636 16<sup>1</sup>g 15<sup>3</sup>g 15<sup>7</sup>g Std Regis 0.76 14 76 023<sup>1</sup>2 23 23<sup>1</sup>2 34496821827<sub>6</sub> 967<sub>6</sub>1027<sub>6</sub> +27<sub>8</sub> 18 37 23<sup>5</sup><sub>8</sub> 23<sup>1</sup><sub>8</sub> 23<sup>1</sup><sub>2</sub> +1<sub>8</sub> Micst | Steel | 16 | 0.08 | 18 | 272 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 | 11-18 MonwGrain 0.50 33 57 13<sup>1</sup>2 12<sup>1</sup>4 13<sup>1</sup>8 + <sup>1</sup>8 Moller H 0.52 63 974 30<sup>1</sup>2 29<sup>3</sup>8 30<sup>1</sup>4 + 1<sup>1</sup>4 117 2887 3278 3178 3278 0.09 26 2873 4838 4634 4718 Bendy-STh 1225 Als 416 416 416 Als Bendusc 14 36 174 1719 1719 Als Bentusc 14 36 173 1719 1719 Als Bentusch 0.56 10 59 1714 1679 1678 Bentusch 0.52 10 35 3548 35 35 35 1 15 509 124 117 124 SumhomeB 0.80 2 18 25 4 25 4 25 4 77 5010 24% 23% 24 Summit fa 4 10 238 238 218 +18 1980512 4434 5058 4438 +12 250 212 1218 12 1212 +18 SunMic Sutton Re Swift 7ra 19 829 18 17 2 17 2 - 2 9146936 25 2 21 2 24 2 + 12 Sybase Inc 18 5958 13 1214 13 +12 Synamic 10 3030 15 1-1 191<sub>2</sub> +7<sub>8</sub> Synamic 0.32 9 66 191<sub>2</sub> 101<sub>4</sub> 191<sub>2</sub> +7<sub>8</sub> 68 234 381<sub>2</sub> 38 383<sub>8</sub> +3<sub>9</sub> 18 25 1148 21<sup>1</sup>2 207 21 1 -12 99 1463 15<sup>1</sup>4 14<sup>1</sup>2 14<sup>7</sup>2 +<sup>1</sup>4 Space Son 0.18 25 1148 2112 207 2112 18 1359 378 358 378 +18 01475 24 42% 212 -2 Thomas Pr. B.84 21 406 534; 524; 524; TBC Co 10 41 7/3 7/4 7/4 7/4 TCA Cable 056 22 2117 294; 265; 29 TCI SpA 9009942 194; 107; 18 Tochbosis 50 8043 15 144; 144; Youth Highs and Yous for MYSE reflect the period fours Jun 1 1985.

Unknown cetworks record, name of distance in served destructures bessed on the board grown are secretical.

4-row youthy over PRE processings; calls, all-rests, al-new youthy bids.

2-ro-distance or to-registe, ply-rest, respect to tail. 1 349 212 218 218 -18 27 380 4914 4814 4912 -58 Tenument x 1 04 9 12 54% 5412 54% 104 9 12 54% 3472 473 24 218 12% 1212 12% 41% 102 103 10 1014 +18 Boston Tc 20 4018 121<sub>8</sub> 113<sub>8</sub> 12 Brodyl A 0.40 18 56 22<sup>1</sup>2 22 22<sup>1</sup>4 Toto Sys 14 136 103 10 1014
Toto Sys 14 136 103 10 1014
Toto Sys 14 136 103 10 1014
Toto Sys 17 1060 47 12 61 47 16
Toto CO 0.01 25 2753 214 2012 207 Newpri Cp 0.04 19 151 61g 874 876 Newbelloma 13 8174 1776 1714 1714 -18 FT Free Arganii Reports Sandou You can objet the curred geosalitative sport of the company arealised with 4. Press golfs the code F37186. Pag (1981 779 0770 page 24 mars including essented or the SLB1 770 3522, if calling from contact the LA, did -44 181 770 0770 or the 44 181 770 3522. Reports will be sent on the stud-working day, subject to availability. 14 136 103g 10 101<sub>4</sub> +1<sub>8</sub> 4 2400 83g 5 51<sub>8</sub> -.11 66 9813 12 11% 12 0.72 21 323 162 59<sup>1</sup>2 52 +1<sup>3</sup>4 Nable Dri GTI Corp GENY Svg Gymtorae Buffets 16 409 14½ 13½ 14½ 4½ Bufstern? 245 40 9½ 9½ 9½ 4½ Bur Bress 8 1377 17 15½ 18 4½ Bugstered? 23 14 37¼ 37 37½ Bugstering 0.40 10 50 33¾ 13 33¼ 4¾ 0.50 2210508 48<sup>1</sup>2 45<sup>1</sup>2 45<sup>2</sup>8 -2<sup>2</sup>8 15 43 27<sup>1</sup>4 26<sup>1</sup>4 27<sup>1</sup>4 +<sup>1</sup>2 125 39 7<sup>1</sup>2 7<sup>1</sup>8 7<sup>1</sup>2 +<sup>1</sup>8 1.24 14 1102 55<sup>1</sup>2 55<sup>1</sup>4 55<sup>3</sup>8 +<sup>1</sup>5 Tetra Tec 21 1681 15½ 14½ 15½ +¾ TevePhADR 0 10 26 4020 385g 37¾ 38½ +¾ 24 3393 254 254 254 +4 Norstan I Three Com 3360362 40<sup>1</sup>4 36<sup>1</sup>2 39 178 13 352 67<sub>8</sub> 8<sup>1</sup>2 67<sub>2</sub> TJ bri 4 0.22 22 1464 15<sup>3</sup>6 15<sup>3</sup>6 15<sup>3</sup>6 Normal at 14 3563 534 524 534 +4 NW AIr - H -1528003 13 121<sub>8</sub> 121<sub>8</sub> 1<sub>8</sub> 9 8573 47 421<sub>2</sub> 45 +11<sub>2</sub> 17 653 16 61<sub>2</sub> 8 33 25 21<sub>8</sub> 13<sub>8</sub> 21<sub>8</sub> 7odd-A0 0.08 36 431 1512 1334 1434 70km Mar 0.32 22 50 6414 6312 64 C Toc 8 482 35% 35 35% 36 Cardiothesis Al 04 15 5325 32% 31% 32 +1% Cardiothesis Cardio 20 17 1199 23% 22% 22% +3% NSC CUIP - 0 -**AMEX COMPOSITE PRICES** 4 pm class March 25 10 96 14 13<sup>1</sup>2 13<sup>3</sup>4 - <sup>1</sup>8 21 5060 66<sup>1</sup>2 45<sup>1</sup>9 45<sup>5</sup>3 - <sup>5</sup>8 9 90 7<sup>1</sup>4 6<sup>3</sup>4 7<sup>1</sup>4 15 1424 12<sup>1</sup>8 12<sup>1</sup>8 12<sup>2</sup>6 + <sup>1</sup>4 124 12 73 57 51 52 35 806 19 18<sup>1</sup>/<sub>2</sub> 18<sup>1</sup>/<sub>4</sub> -<sup>1</sup>/<sub>4</sub> 20 1481 7<sup>1</sup>/<sub>4</sub> 7 7<sup>1</sup>/<sub>5</sub> -<sup>1</sup>/<sub>8</sub> 40 1.10 13 2272 20<sup>3</sup>/<sub>4</sub> 20<sup>1</sup>/<sub>4</sub> 20<sup>1</sup>/<sub>4</sub> -<sup>1</sup>/<sub>2</sub> Octations Octal Core Trimble 35 806 19 18 1<sub>2</sub> 18 3<sub>4</sub> Truestes 20 1481 74 7 71<sub>8</sub> Truestes6kC 1.10 13 2272 20 3<sub>4</sub> 20 4<sub>4</sub> 20 1<sub>4</sub> 77 36s

Div. E 100s High Low Close Cring

87 225 13s 13t 13t 13t -1s

0.15 23 187 12814 224 224 44

12 82 73s 74s 74s +1s Strock Dhy. E 100s High Law Closes comp NVS 9 260 9<sup>3</sup>g 9<sup>1</sup>g 9<sup>1</sup>g -<sup>1</sup>g Pegesos G 0.10155 3732 15<sup>1</sup>g 15<sup>1</sup>g 15<sup>1</sup>g +<sup>3</sup>g Pervol 0.80 1 99 8<sup>3</sup>g 6 8 -<sup>1</sup>g Pithany A 0.33 24 118 47<sup>3</sup>g 84<sup>3</sup>g 47 -<sup>1</sup>g PMG 1.06 13 30 u13<sup>1</sup>g 13<sup>3</sup>g 13<sup>3</sup>g | Shock | Div. E 100# | Fight | Low Close Chag | CrossAT-A | 0.84 21 | 232 | 15\frac{1}{2} | 14\frac{1}{2} | 15\frac{1}{3} | +\frac{1}{3} | Crosson C A | 0.40 | 2 | 13 | 18\frac{1}{3} | 18\frac{1}{3} | 18\frac{1}{3} | 18\frac{1}{3} | 18\frac{1}{3} | 18\frac{1}{3} | -\frac{1}{3} | Crosson C B | 0.40 | 2 | 66| | 10 | 17\frac{1}{3} | 17\frac{1}{3} | -\frac{1}{3} | Cabic | 0.53 | 28 | 20 | 28\frac{1}{3} | 28\frac{1 Offshraf.p 15 1424 121<sub>8</sub> 121<sub>8</sub> 141<sub>8</sub> Tac Opietosy N 1.20 8 12 401<sub>8</sub> 391<sub>4</sub> 391<sub>4</sub> OhioCs 0.60 20 134 38 371<sub>6</sub> 371<sub>6</sub> -3<sub>6</sub> 1 28 12 1068 395<sub>6</sub> 391<sub>4</sub> 393<sub>6</sub> -1<sub>8</sub> Stock - Div. E 100s High Low Close Chap | Street | S 1seng Lab 0.20329 683 101<sub>8</sub> 95<sub>8</sub> 87<sub>4</sub> -3<sub>8</sub> Health Ch 87 Helco 0.15 23 HwranianA 12 TysFdA 012 16 7532 244 233 244 OhioCcs 0.50 20 134 38 37<sup>1</sup>4 37<sup>1</sup>4 - <sup>3</sup>9 OhioCcs 12 1068 39<sup>5</sup>6 39<sup>1</sup>4 39<sup>3</sup>6 - <sup>1</sup>8 OhioNcert 128 12 1068 39<sup>5</sup>6 39<sup>1</sup>4 39<sup>3</sup>6 - <sup>1</sup>8 OhioNcert 128 12 1068 39<sup>5</sup>8 39<sup>1</sup>4 39<sup>3</sup>8 33 39 OhioNcert 120 12 927 35 34<sup>1</sup>2 34<sup>1</sup>8 4<sup>1</sup>8 4<sup></sup> Di Incia 11 252 3, 5<sub>8</sub> 11 +10
Di Incia 21 631 135<sub>8</sub> 133<sub>8</sub> 133<sub>8</sub> -14
Diccommuni 12 257 133<sub>8</sub> 13 13 -1<sub>8</sub>
Diccommuni 12 257 133<sub>8</sub> 13 13 -1<sub>8</sub>
Displace 0.48 35 432 818 812 818 - U -US-Hilber 1.10 1811685 41½ 45½ 46½ .7g
United 1 813 2¼ 2 2 .½
United 51 02 19 327 16½ 15½ 16½ ½ ¼
United 51 0.40 67 98 22¼ 21½ 22¼
United 51 0.10 20 223 625¾ 25 25
United 71 02 02 23 625¾ 65 25
United 71 02 02 23 625¾ 65½ 46½ -1½ 55 20 3612 3412 3412 1 799 34 24 34 +4 10 10 22 22 22 22 49 149 17 164 167 0 194 114 107 167 4 SAW Corp 2.22 10 27 37 36 2 3614 42 Jan Bell Kirvark Cp Kirty Exp KogrEq BBH Occase 0.80 9 10 21<sub>0</sub> 23<sub>0</sub> 21<sub>0</sub> +3<sub>0</sub>
BBH occase 0.80 12 9 287<sub>0</sub> 287<sub>0</sub> 287<sub>0</sub>
BBH occase 0.85 10 137 151<sub>2</sub> 151<sub>4</sub> 151<sub>2</sub> +1<sub>0</sub>
BBH occase 0.45 10 137 151<sub>2</sub> 151<sub>4</sub> 151<sub>2</sub> +1<sub>0</sub>
BBH occase 0.40 15 20 217<sub>0</sub> 211<sub>2</sub> 217<sub>0</sub> +1<sub>2</sub>
BIO-BBH O.40 15 20 217<sub>0</sub> 211<sub>2</sub> 217<sub>0</sub> +1<sub>2</sub>
BIO-BBH O.40 15 407<sub>0</sub> 403<sub>0</sub> 403<sub>0</sub> +1<sub>0</sub>
BOWNER 4 9.36 12 345 181<sub>4</sub> 18 181<sub>5</sub>
BCH OCCASE 1 345 181<sub>4</sub> 18 181<sub>5</sub>
BCH OCCASE 1 345 181<sub>4</sub> 18 181<sub>5</sub>
BCH OCCASE 1 345 181<sub>4</sub> 18 181<sub>5</sub> US Banco 1.12 16 3958 33<sup>1</sup>4 33<sup>3</sup>8 33<sup>7</sup>2 US Energy 83 356 1714 163<sub>8</sub> 1714 US Servis 7 30 4 33<sub>8</sub> 4 US Tat 1.00 9 361 uS21<sub>4</sub> 501<sub>2</sub> 521<sub>4</sub> +11<sub>2</sub> 57 648 431 432 438 -14 25 115 18 979 633 -13 36 218 1338 13 13 -18 19 4 70 6674 70 Laborge Lacor Ind Lunex Inc Lynch Cp Feb Inde 0.70 17 85 28\(^1\)4(27\(^5\)2(27\(^5\)2\)1 4\(^1\)4
Fine A 2.40 14 19 47\(^7\)4 (7\(^2\)2 47\(^2\)2 - \(^1\)4
Forest La 22 934 51\(^1\)4 50\(^3\)4 51\(^1\)4
Frequency 83 10 5\(^3\)2 5\(^3\)2 5\(^3\)4 + \(^1\)4 7 185 484, 4412 4814 +114

9.48 21 860 394 374 374 -112

9.20 8 21 374 34 374

3 506 134 134 144 -14

10 674 874 587 144 184

15 29 1842 1848 1845 -14

11 112 17 17 17 17 UtdFoodsA 36 20 11 13 13 13 UtdFoodsB 0.20 35 7 112 114 114 US Cellul 26 50 34 4 34 34 34 34 2 - P - Q -1.00 7 210 504 504 504 5012 Pachustop 0.64 11 179 9.2 9.4 9.2 -12 Pachicre 21 416 814 7812 7912 -1 Parametro 50 9175 3814 35 3614 +14 - V -830 15 95 1/29 281/4 281/4 118 329 20<sup>1</sup>6 19<sup>1</sup>6 20<sup>3</sup>6 +1<sup>2</sup>6 8 6827 14<sup>3</sup>6 13<sup>1</sup>8 13<sup>1</sup>8 1.2 0.36 53 1756 57 4 58 2 56 4 Peyto Am 14 182 75 74 75 Peorless 0.50 45 8 912 93 912 4 243 136 176 176 MY TIMA 0.40 21 1879 37<sup>1</sup>2 37 37<sup>3</sup>6 1<sub>8</sub> Meanace Heatro Perm Trty 12 376 u19 181, 19 Perm Virg 1.80 13 80 331, 33 33 22 661 151<sub>8</sub> 141<sub>2</sub> 151<sub>8</sub> 17 425 1411 14 141<sub>2</sub> 62 649 101<sub>8</sub> 701<sub>8</sub> 1011 4 544 2 8 2% 2% +12 Vicor Pennish 1,80 13 80 33-4 33 33 33 Pennish 0,50 13 105 26<sup>1</sup>8 28<sup>1</sup>8 28<sup>1</sup>8 20<sup>1</sup>8 -14 Pennish 1 17 881 24a 2 2½ +4 4a Pennish 1 0,50 20 10 18<sup>1</sup>2 18 18 Peoples H 0,64 10 75 21<sup>1</sup>2 21<sup>1</sup>4 21<sup>1</sup>8 Viewlogic 11 7066 1212 11% 1212 Comper 1.28 13 204 4.24 23 23
Comper 0.28 20 8114 35-lk 337<sub>8</sub> 34 Concert 0.0911025355 18-l<sub>0</sub> 17<sup>1</sup><sub>2</sub> 17<sup>1</sup><sub>3</sub>
Concert 0.0911025355 18-l<sub>0</sub> 17<sup>1</sup><sub>2</sub> 17<sup>1</sup><sub>3</sub>
Comper 0.0911315875 18-l<sub>2</sub> 17<sup>1</sup><sub>3</sub> 18-l<sub>2</sub>
Comper 0.58 438 28-l<sub>2</sub> 27<sup>1</sup><sub>8</sub> 27<sup>1</sup><sub>8</sub>
Comper 0.58 438 28-l<sub>2</sub> 27<sup>1</sup><sub>8</sub> 27<sup>1</sup><sub>8</sub>
Comper 0.1 79 23 21-l<sub>2</sub> 21-l<sub>3</sub>
Comper 0.1 79 23 21-l<sub>2</sub> 21-l<sub>3</sub>
Comper 0.1 79 23 21-l<sub>3</sub> 21-l<sub>3</sub>
Comper 0.1 79 23 21-l<sub>3</sub>
Comper 0.1 Valva 8 0.39 8 1119 23 4 22 2 25 5 -3 22 1817 13<sup>1</sup>8 12<sup>1</sup>8 13 +<sup>1</sup>4 Perrigo 22 1617 1314 1214 13 +14 Pistoargi 0 5 480 412 -14 Perrollic 1.12 63 46 2015 27 27 -112 - W lomega Co leómedix The state of the s 8 2542 244 237 2418 -5 20 2132 12% 121<sub>2</sub> 125<sub>8</sub> -1<sub>8</sub> Warreten 0.12 16 341 231<sub>2</sub> 223<sub>4</sub> 233<sub>5</sub> Warretech 16 199 313 333 333 WattshirdA 0.28 12 5 191<sub>4</sub> 191<sub>4</sub> 191<sub>4</sub> Have your FT hand delivered in Wowell PM 0.22 29 179 2312 23 2314 +14 WO-40 248 18 385 4714 45 4714 +112 Wetek 21374 112 6114 133 −25 ProneerSo 0.40 28 725 29 27 4 29 +1 4 ProneerS 0.80 24 3 53 2 53 3 53 3 8 J&J Sneet: 19 104 12<sup>1</sup>8 12<sup>1</sup>8 12<sup>1</sup>4 + <sup>1</sup>2 Jeson Inc 0.25 11 42 7<sup>1</sup>2 6<sup>1</sup>2 6<sup>1</sup>2 - <sup>1</sup>4 Wistern Box: 0.92 14 37 45<sup>1</sup>2 45 45<sup>1</sup>2 PioneerSt 0.12 14 1080 15<sup>3</sup>8 15 15<sup>1</sup>4 - <sup>1</sup>8 3 479 1012 1014 1014 West wh AG hot a DD4 22 1546 p4612 434 46 +214 556 1145 224 2112 2214 +12 3 1342 2038 2018 201e 37 1418 7 53, 512 -14 53 224 55, 51, 01, 30 3857 241, 221, 231, +7, Johnson W 15 1300 18d1734 17% 34 Jones Int 19 728 14% 1412 1412 0.38 7 5 14 14 14 -14 14 28 878 812 878 →38 Priceble Wet SeelA 24 104 117g 111g 111g .1g Wilmitte 1.24 0.3931 58 56 4 57 4 +1 WinsSonome 223 7263 22 2 20 4 22 3 +15 g Crown Res Jones Med 0.10 65 4443 4212 3714 4134 +234 JSS Fm 1.20 15 948 3314 32 3316 +116 Cyrac PresCas 2 959 13 17 17 17 45114 758 74 74 -18 009 0 174 93<sub>8</sub> 91<sub>4</sub> 93<sub>8</sub> -1<sub>8</sub> Pres Life Juno Lity 0.32 14 1443 13 2 413 2 13 2 + 2 4 1443 13 2 413 2 11 2 11 4 1 4 - 1 4 Wotohan L 0.29 18 134 1018 93 912 +7 596 1385 109 4 106 4 107 3 - 214 Presstek Gain the edge over your competitors by having the Financial Times delivered to your home or 3458546 u465<sub>8</sub> 447<sub>6</sub> 45 28 661 301<sub>2</sub> 301<sub>4</sub> 301<sub>4</sub> Workicam 25 3550 18<sup>5</sup>8 18<sup>1</sup>4 18<sup>3</sup>8 23 5866 14<sup>1</sup>8 14 14<sup>1</sup>8 Pr/Cost WPP ADR - D -Wyman-Gas 0.40 26 1121 174 17 174 05C Cm 1518880 274 254 271<sub>2</sub> 1-8 Dart Star 0.13 7 2180 844 844 844 13 175 194 184 19 4 Prod Ops 0.28 41 20 3374 3214 3214 | Detection | 0.13 | 7 2100 | E41, 841, 844, | E41, K Sarks; 0.08 29 27 8 $^1_2$  8 $^1_8$  8 $^1_4$   $^1_4$  Kzmun Cp 8.44 12 84 10 $^5_8$  10 $^5_8$  10 $^5_8$  10 $^5_8$  1 $^1_8$  Kelly Sv 0.80 17 502 32 30 $^1_2$  31 $^1_4$  1 $^1_4$ 27 1681 2514 2414 2514 +14 CLT Photo 16 259 19 1258 1258 -14 -X-Y-Z-OsszkarChem 0.68 17 52 14<sup>1</sup>4 12<sup>3</sup>4 13<sup>1</sup>2 - <sup>3</sup>8 2809046 33 207 327 +14 7014861 40% 39½ 40% +½ 30 17 224 23% 22½ 23¼ +1 3 2640 12 113 12 +3 4 2205 43 37 4 -6 Xircom Xoma Corp

MARCH 27 19%

97 355 4 100s 105s 10s 10s 144 105s 101s 10s 35 15r 11r 11r 155 15r 11r 11r 155 15r 11r 11r 10 370 370 370 381 10r 1 250 4252 507 508 508

Q-

office every working day. Hand delivery services are available for all subscribers who work or live in the business centres of Barcelona, Bilbao, Madrid, Sevilla and Valencia. Please call us in Madrid on 337 00 61 for more information.

Financial Times. World Business Newspaper.

# to 'no change' rate decision

which is weighted towards the

technology sector, rose 1.53

points to 1,088.62, and the

Pacific Stock Exchange tech-

nology index added 0.2 per

Bay Networks tumbled \$3%

or 12 per cent to \$29%. Other

falling networking groups

Both Microsoft and intel, the

two largest companies on the Nasdaq, made up some of the

ground lost in recent sessions.

Microsoft rallied \$2 to \$101%

and Intel gained \$1¼ at \$56½. Consolidated Stores jumped

\$4% or 16 per cent to \$30% on

news that the discount retailer

had agreed to buy Melville's

Odwalla added \$1 or 6 per cent at \$19 after Hambrecht &

Quist upgraded its investment

Toronto offset strength in

golds with weakness elsewhere

and the TSE 300 composite

index was up just 1.23 at

4,968-50 at noon. However, vol-

per cent at 12.558.84.

### **Wall Street**

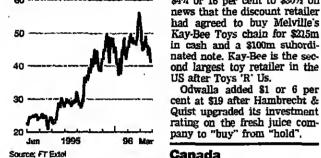
US shares spent the morning session in a narrow trading range near Monday's closing levels as the Federal Reserve concluded its Open Market Committee meeting without a change in interest rates, writes

included 3Com, off \$2% or 5 per cent at \$39%, and Clsco Lisa Bransten in New York. At 1pm the Dow Jones Systems, down \$2 at \$4211. Industrial Average was up 11.92 at 5,655.78. The Stan-Sun Microsystems retreated more than \$3 in early trading dard & Poor's 500 rose 2.26 to on news that researchers at 652.30, while the American Princeton University had dis-Stock Exchange composite lost covered a security flaw in the 0.26 at 567.52. Volume on the company's internet program-NYSE came to 219m shares. ming language, Java. By early afternoon, the shares rebounded and were changing As expected, the Federal hands with a gain of \$10 at

Reserve ended its meeting without changing interest rates. At the conclusion of the meeting Mr Alan Greenspan. chairman of the Fed. testified before the senate banking com-

### Sun Microsystems

Share price (5)



mittee, which was considering his appointment to a third

Bonds dipped after Mr Greenspan said that the economy was moving "at a reason-ably good clip"; hut there was little reaction to the comment on the equity market.

Technology shares were mixed as a few issues recovered some of the ground lost over the past two sessions, while computer networking companies slipped after reports that Goldman Sachs had lowered its ratings estimate for

# filed a final prospectus for the Mexico rises 1.6%

Hopes for a fall in interest rates led MEXICO CITY higher hy midsession, while strength in the peso was another contributory factor. The IPC index was up 49.02 or 1.6 per cent at

Analysts felt that many investors were now discounting the first-quarter reporting season which is due to start soon. There was a feeling that most companies would show better than expected results. Telmex L shares were popu-

lar among the domestic commnnity, showing a midday

SAO PAULO was weaker by midsessiou on worries that a

An attempt to mount an 3,117.02 a new intra-day high. enquiry into the banking sys-

tem failed last week, but there were indications yesterday that some members of coogress were agitating for another attempt to be made. Some analysts thought that it was most unlikely that enough support would be gathered to have the process restarted. **BUENOS AIRES** was weaker

into the country's banks might be reopened. The Bovespa

index was off 615.94 or 1.2 per

cent at 49,700 hy midday.

by midsession following some profit-taking. The Merval index slipped 6.24 points to 518.61.

# South African golds stronger

Gold shares were stronger following a rise in the price of bullion to around the \$400 level. Industrials, mlxed throughput much of the sesweakened sharply

towards the close.

The overall index gained 5.6 at 6,741.1, industrials lost 27.5 at 8,290.8 and the golds index advanced 43.2 to 1,857.7.

Corporate stories included Freegold, up R1.40 at R39.90, while Vaal Reefs moved ahead R12 to R402, Gencor put on 20 cents at R15, Dc Beers rose R1 to R127 and Anglos made 25

cents to R251. Engen was ahead 50 cents at R28.10 and Sasol firmed 15 cents to R38.20, but Nedcor

75 cents to R62.

# Little reaction Good results, acquisition turn spotlight on Océ

Océ-van der Grinten caught the imagination in AMSTER-DAM following a good set of first-quarter results and an announcement from the photocopier groupthat it was acquiring Siemens Nixdorf's printing systems division.

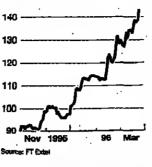
The stock, which had initially risen to a session's and year's high of Fl 145.50, receded as the overall market weakened during the afternoon to end with a gain of F13.00 or 2 per cent at Fl 143.70.

Mr Ton Gietman of Van Meer James Capel in Amsterdam commented that a good set of first-quarter figures had heen anticipated following the company's strong fourth-quarter data. The group had been henefiting, he said, from the introduction of new machines during the latter part of 1995. The integration of the Siemens printing unit made good corporate sense, he added, since it fitted in well with its existing

The AEX index declined 1.90 to 525.58. Philips, ex a dividend of Fl 1.60, finished at Fl 58.70, a net gain of Fl 1.30, but still unsettled hy Monday's 11 per cent fall following a profits

ING, the financial group which took over Barings last year, ended 30 cents up at Fl 116.40 ahead of tomorrow's

Océ-van der Grinten Share price (quilders)



1995 results. Analysts said that they were expecting the results to be hit by the sequisition of the UK merchant bank, but otherwise the overall figures

would he good.
FRANKFURT testified to the vulnerability of rising share prices in falling turnover. The Dax index flirted with its all-time highs at one point, hut ran into reverse later, touching 2,490.36 before a rise in the Dow left it just 9.02 lower at an Ibis-indicated 2,505.78.

On the day, turnover was up from DM7.3hn to DM9.4hn. Banks showed relative strength after Commerzbank said that it was aiming for a 10 per cent return on equity this

vear, after a fall from 11.2 per cent to 8.6 per cent in 1995. In chemicals, a residue of optimism lifted Hoechst and Bayer on perceived restructuring prospects; hut BASF faced phantasie with facts including a poor start for orders this year, and a forecast that it

shares fell DM7.50 to DM394.90.

Elsewhere there was hroadly based weakness in automotive stocks, engineers and utilities, suggesting profit-taking in some cases, like Linde which dropped DM13.50 to DM917.50 after a thee-day gain of DM65 on good results. Analysts suggested, meanwhile, that BMW's fall of DM7.50 to DM781.50 reflected new tax laws which promised to make executive ownership of up-

PARIS recovered from early session losses to end with the CAC-40 index 4.12 higher at 2,007.95. Turnover was below average at FFr3.3bn. Lagardere gained FFr3.10 at

market cars more expensive.

FFr131.60 as speculation con-tinued that the group might follow Chargeurs down the path of demerger. Crédit Foncier, which suffered a 6 per cent decline on Monday, fell another FFr3.80

to FFr69 on reports that the

property mortgage bank would

of 5,024.56. Turnover totalled

Profit-taking was evident

during most of the session

Housy changes FT-SE Burotrack 100 1620 91 1619-20 1617-89 1618-59 1618-76 1618-91 1616-02 Mar 22 1622 07 1612.99 should merely match its 1995 earnings in 1996, and the

> show a substantial 1995 loss. Eurotunnel another of Monday's casualties, eased a further 30 centimes or 5.7 per cent to FFr5 on reports that the company had rejected a plan to securitise its debt. Thomson-CSF lost FFr4.50 to FFr117.10 as a number of ana-

lysts downgraded the stock when it emerged that the 1995 results, which had heen released earlier in the day. included a one-off capital gain. ZURICH saw weakness in pharmaceuticals and insurers,

Sandoz dipped SFr13 to SFr1,402, and Ciha SFr12 to SFr1 495 the latter after it said that clinical trials of its new antithromhotic drug Revasc had produced results helow expectations. Registered shares in Zurich Insurance and Winterthur dropped SFr6 to SFrS44, and SFr9 to SFr800 on talk of a broker downgrade.

11.00 12.00 13.00 14.00 15.00 Close 1608.30 1679.05 1677.00 Basil votos 1000 (26/10/90), Ingaltay 100 - 1621/02: 200 - 1676/91 Lowhter: 100 - 1615/45 200 - 1666/17. † Purisi Swissair slipped SFr40 to

SFr1,305 on profit-taking, and as it disclosed a lower overall load factor for February. BRUSSELS, down more than 2 per cent at one point after hasket selling by one major

hrokerage house, ended with a fall of just over a percentage point, the Bel-20 index closing 17.47 lower at 1,651.43. Bekhaert, the steel wire group, shed 5.3 per cent to BFr25,575, extending its drop to 11.7 per cent over the past three sessions, Bank Degroof and some profit-taking as the SMI index fell 21.4 to 3.656.5. downgraded its earnings forecasts and investment recom-

> 1995 results last week MILAN was upset by the indefinite suspension of Banco Di Napoli at L639.4. as well as by ever present political factors. The Mibtel index ended down 169 or 1.8 per cent at 9.141, while the Comit dipped 9.04 to 576.25. Telecom compa-

mendation for the stock yester-

day, following disappointing

with Telecom Italia down 2.7 per cent at L2,348.

VIENNA saw contrasting stories in OMV, Lenzing and Mayr-Meinhof as the ATX index kept its balance, up 0.12 at 1.068.42 following a session's high of 1,073.06.

Mayr-Melphof, the cardboard maker, lost Sch20 to Sch495 in heavy trading after passing its dividend in spite of a 75 per cent improvement in its 1995 profits. Lenzing, the fibre manufacturer, fell Sch20 to Sch820 following a warning that it did not expect to match last year's results in 1996 because of difficult trading conditions.
On a positive note, OMV, the

energy and chemicals group. and the index's most heavily weighted constituent, climber Sch18 to Sch964.

BUDAPEST recorded a life high in the share price of Egis, the pharmaceuticals group, which added Ft100 at Ft5,900, a factor which contributed to a rise in the BUX index of 7.64 to 2,399.15. ISTANBUL saw profits taken, having previously achieved three all-time closing highs. The composite index shed 753.70 or 1.1 per cent to 68,625.82 in turnover of TL14,790bn.

Written and edited by William

# Futures boost Nikkei over 21,000, hinder Hang Seng

The Nikkei average closed above 21,000 for the first time in seven weeks. Trading began for the new year account, and this coincided with technical buying as parliamentary talks about the jusen hallout resumed, writes Emiko Tera-

zono in Tokyo. While profit-taking eroded ume rose from 34.5m shares to 40.7m as the golds and precious some of the earlier gains, buymetals index, reflecting a rise in hullion, put on 206.71 or 1.7 ing by domestic institutions supported share prices and the Barrick Gold rose C\$1 to 205 index rose 99.33 to 21,014.77 C\$41% and Kinross Gold hy after moving between 20,942.73 and 21,290.39. Overseas inves-C\$1/2 to C\$12, although TVI Pacific, the gold exploration tors continued to purchase cyclicals, while dealers and stock, lost 7 cents at C\$2.63 in 2.51m shares, the higgest voldomestic institutions welume of the morning, after it

comed the April account. The Topix index of all first section stocks put on 5.12 at 1,603.66, closing above 1,600 for the first time since Fehruary 16, rises leading falls by 691 to 364, with 135 issues unchanged. congressional investigation 300 moved up 0.70 to 300.40 and volume increased from 382m shares to 450m.

In London the ISE/Nikkel 50 index gained 7.20 at 1.411.75. In Tokyo, traders expected the Nikkei 225 index to test the 21,552 level posted in June 1994, the highest since the stock market hit its peak in 1989. Domestic institutions, which had been profit-taking in order to support profits ahead of the March book clos-ing, were now on the huy side; and the technical buying reflected improved confidence on the futures market on the resumption of parliamentary talks over the jusen bousing

lenders' bailout Shiphuilders rallied on hnying hy foreigners. Mitsuhishi Heavy Industries rose Y21 to Y909 and Mitsui Engineering and Shipbuilding increased by

Y14 to Y303. Late afternoon selling oushed down bank stocks. The Industrial Bank of Japan declined Y40 to Y2.900 and Sumitomo Bank lost Y30 to

Individual investors traded speculative favourites. Shinko Electric, the most active issue

of the day, rose Y26 to Y989 and Keisei Electric Railway hy

retreated Y20 to Y6,310. In Osaka, the OSE average moved ahead 237.86 to 22,158.42

### Roundup

Derivatives were no help in reversed early gains on selling mostly related to technical activity in the futures market. The Hang Seng index, which had reached 11,215.11 during the morning, ended off 127.29 or 1.1 per cent at 10,984.47. Turnover dipped to HK\$4.9hn

from Monday's HK\$5bn. Brokers said that the main activity seemed to be related to tomorrow's expiry of March futures contracts.

Share trading activity was concentrated on major hlue chlps, such as Henderson, which slipped HK\$1.50 to HK\$54.75 after rising to

HK\$56.75 in early trade. Wharf tumbled HK\$1.35 to HK\$29.05 after Monday's 23 per cent drop in operating profits. which was attributed mainly to its loss-making cable television division.

The H share index of Chinese companies quoted in Hong Kong fell back sharply as worries began to emerge about the level of 1995 earnings. The Hang Seng China Enterprises index dropped 30.1 to 849.67. SHANGHAI's B index was

pressured by a fall in Shanghai Dazhong Taxi after the comounced disappointing

### dividend payments following a T\$60bn worth of shares to sup-23 per cent gain in its 1995 results. The index slipped 0.27, port the equity market, a state official said. The official added tbat stocks purchased under or 0.5 per cent, to 50.69 in turnover of \$2.4m, as Dazhong fell

Y30 to Y1,160. Tokyo Broadcasting System, a national television network,

declined Y40 to Y1,650 on the admission by its president that its employees had shown officials of AUM Shinrikyo, the cult responsible for spreading deadly nerve gas in Tokyo's subway system, a tape of interviews with an anti-Aum lawyer. The interview tapes were believed to have prompted cult members to kill the lawyer and

his family. High-technology issues remained mixed. Toshiba put on Y6 at Y786 and NEC climbed Y40 to Y1,200 hut Sony

in volume of 301.6m shares.

after the market's recent string of gains. The government fund has so far bought more than

T\$30.9bn.

the scheme would be held for 2.6 per cent to 75 cents in thin at least one year. Textiles, which had not risen The A index dropped 7.104, as much as other sectors.

or 12 per cent, to 582,542 in volume of 84.2m shares worth attracted bargain hunting and gained 2.3 per cent as a group. Hualon made 70 cents or 4.1 TAIPEI was supported late in the session hy huying from per cent to T\$17.70. in contrast, transport stocks, which had the government's stock stahirisen recently on hopes that lisation fund, and the weighted direct links would be negotiindex finished 25.41 up at ated to the Chinese mainland, 5.092.92 after an intra-day low

> to T\$32.50. SINGAPORE indulged itself in a little more property share speculation as the Straits Times Industrial index rose 9.19 to close at 2.414.79.

were affected by profit-taking.

Yang Ming Marine lost 10 cents

News that Wing Tai, a leading local developer, had sold most of its latest condominium project at record prices lifted Orchard Parade, which has interests in nearhy sites, by 35 cents or 6.7 per cent to \$\$5.60. Wing Tai itself eased 4

**KUALA LUMPUR** registered

a new 1996 closing peak on late huying of selected hlue chips, the KLSE composite index ending 3.66 higher at 1,164.49 in sdvance of today's Bank Negara annual report for 1995. The Bank Negara annual report was expected to provide the first official estimates of

cents to S\$3.62,

the country's worrying current account deficit, and to forecast GDP growth for 1996. SEOUL's brokers said that

than large-capitalisation and hlue chip stocks as the composite index fell 4.20 to 859.07, Volume was weak, with 18,92m shares changing hands.

sized companies fared better

News that South Korea's real gross domestic product growth should be around 7 per cent in 1997 against a projected 7.0 to 7.5 per cent rise in 1996 had little immediate impact on the market.

BANGKOK retreated slightly, with many investors holding back ahead of the publication tomorrow of economic data. The SET index lost 6.42 st 1,297.66 in turnover of Bt4.9bu. SYDNEY was range bound for most of the day, with a final spurt lifting the All Ordibuying interest was limited. naries index by 6.2 to 2,261.6.

# Jawa Power

# P.T. Jawa Power -Paiton Private Power Project Phase II

\$1,365,000,000 Project finance facilities

\$4-i4,000,000

HERMES Kreditversicherungs-AC guaranteed facility

\$3\$9,000,000

Export - Import Bank of the United States guaranteed facility

\$250,000,000

German Government guaranteed loan facility

\$200,000,000

Senior note facility

\$\$2,000,000

Commercial bank loan facility

Morgan Guaranty Trust Company acted as sole financial advisor to Siemens Power Ventures, PowerGen and P.T. Bumipertiwi Tatapradipta on the structuring and financing of P.T. Java Power, J.P. Morgan Securities Inc. acted as sole manager for the private placement of senior project notes with institutional investors in the United States.

# **JPMorgan**

March 1996

This announcement appears as a matter of record only

# FT/S&P ACTUARIES WORLD INDICES

Figures in parentheses US show number of lines Dolla	Day's Change	Pound Sterling	Yen	DM	Local	Local % cho	Gross	US Dollar	Pound Sterting	Yen	DM	Local Currency :	EQeal.	E2ed.	Year
show number of lines Dolle of stock Indo		Index	Index	Index	Index	on day	Yield	Index	luzer.	Index	Index	Index	High	Low	(abblox)
Austrafa (81)	9 -02	193 64	133 63	153.03	171.24	0.2	4.01	199.54	192.77	134.84	153 05	170,85	202.74	158.93	160.18
Austria (24)	6 0.8	179 71	124 01	142.01	141.86	10	1.59	183.38	177 15	123.73	140.65	140,50	199.28	168.11	183.85
Belgium (32)	96 -O.Z	200.32	138.24	158.30	154.33	-0.1	3,71	<b>20</b> €.57	199.55	139.38	158.43	154.45	215.81	174.36	174.36
Brace (28)	55 -05	152.16	105 00	120.25		-0.1	1.72	156.84	151.52	105.83	120.29	284.91	170.25	106.08	121.55
Canada (1011		152.56	105 28	120 56		04	2 43	156.20	150.89	105.39	119.80	154.10	159.71	132.37	134,44
Denmark (33)291,		293.62	195.73	224 14		-02	1.80	292.67	282.74	197.48	224 48	226.83	305.17	252.41	257,44
Finland (74)185.		180.11	124,29	142.33		-0.1	2.75	185.63	179 52	125.39	142.53	179.28	276.11	171.13	172.50
France (98)		185 01	127.67	146.21	150.99	1.5	3 11	187 29	180 93	126.38	143.65	148.74	191.17	167.70	171.34
Germany (60)		169 48	116.96	133.93	133.93	0 1	193	174 38	168 45	117 66	133.75	133.75	174.38	142.25	142.25
Hong Kong (59)437.		425 49	253.63	339.25		10	3 32	-33 37	418 56	292.42	332.39	430.18	451.19	323.87	341.58
treland (15)		251.06	173.25	198.40		-0.2	3.49	260.02	251.20	175.45	199.43	231.85	265.00	210.22	210.22
italy (59)		70.46	48.62	55.68		-0.9	2.14	72 98	70 50	49.24	55.99	85.18	82.71	67.09	67.56
Japan 1482)		147.93	102 08	116.30		0.S	0.75	149 93	144 64	101.16	114.99	101.16	164.82	137.7S	140.13
Maleysie (107) 556.5		541.02	373.36	127.55		09	1.58	551 31	532 60	372.00	422.85	540.06	561.96	425.77	470.20
Meuco (18)		1152.95	785 64	911.13		0.8	1.42	1174.08	1134.22	792.21	900.51	9702.72	1237.14	790.84	790.84
Netherland (19)		277 14	191,25	21901	215 17	no	3.21	225 46	275.77	192.\$1	218.95	21S.18	285.96	228.30	228.30
New Zealand (15)		82.35	56 B3	65.08	65.48	0.1	4.21	84 62	81.75	57.10	64.91	65.39	85.4S	72.67	72.67
Norway (33)		232.30	160.31	183.S7	208.42	-00	2 40	239.24	231.12	161.43	183.50	208.43	243.79	205.19	205.19
Sengapore (44)		431.61	297.85	341.09	287.88	0.0	1 39	442.97	427.93	298.89	339.75	287.77	485.21	350.19	350.19
South Afrea (45)		378.40	261.14	299.04	334.77	0.8	2 52	387 44	374.28	261.42	297.18	332.12	437.76	329.21	333.35
Spain (37)171.7		166.92	115.19	131.91	161.56	1.3	3.38	169 52	164.08	114.59	130.25	159.51	175.88	124.26	124.26
Sweden (46)		342.46	236.33	270.64	345.54	8.0	2.40	319.77	337 89	236.00	268.27	342.81	352.28	232.23	235.08
Switzerland (39)		245.31	169.29	193 86		07	1.52	250 43	241.93	168.98	192.07	185.30	252.34	177.75	177,75
Theiland (40) 180.5		175.72	121.26	138.86	177.14	-0.7	1.86	182.03	175 65	122.82	139.61	178.46	193.9S	134.53	139.12
United Kingdom (205)227.6		221.29	152.71	174.88	221.29	-07	4.23	230.57	222.74	155 57	176 84	222.74	235.50	202.87	203.31
USA (6311	3 -02	257.74	177.87	203.69	285.13	-03	2.16	265.55	256.54	179.18	203.68	265.55	269.11	204.49	204.70
Americas (778)	6 -0.1	235.21	162.32	185.88	203 35	-0.1	2.19	242.27	234.04	163.47	185.81	203.62	245.54	187.12	187.36
Europe (726)	1 -01	200.95	138.67	158.80	178.95	0.1	3.08	207.01	199.98	139 68	158,77	178.77	207.01	173,19	173.19
Nordic (135)	7 03	289.18	199.56	228.53	255.53	0.4	2,34	296.49	286.43	200.06	227 41	254.48	297.48	222.22	224.50
Pacific Basin (834) 165.8	2 1.3	161.19	111.24	127 39	114.11	0.8	1 18	163.69	158.13	110.45	125.55	113,15	171.87	148.88	148.89
Euro-Pacric (1560) 182,7	5 0.6	177.66	122 60	140.40	138.69	0.5	2.08	181.64	175.47	122,56	139.31	138.02	183.39	158.92	158.92
North America (732)258.4		2S1.24	173.38	198.55	257.74	-0.1	2.19	258.60	250.01	174,62	198.49	259.10	262.26	200.12	200.34
Europe Ex. UK (521) 193,3		164 67	127,44	145.93	154.04	0.5	2 47	189.08	182.66	127 58	145.02	153.27	189,96	153,56	153.56
Pacific Ex. Japan (352)		283.38	195.56	223.94	253 78	0.5	2.94	290.C3	290.18	195 70	222 45	252.27	293.58	233.90	233.90
World Ex. US (1752) 184 1	1 0.5	178.98	123.51	141 44	142.93	0.5	2.09	163.01	176.79	123,48	140,36	142.23	184.71	159.85	159.65
Werld Ex. UK (2178)	9 0.4	201.40	138.99	159.16	173.71	0.3	1.92	205.29	199.29	139 19	158.22	173.1S	207,64	170.41	170.41
World Ex. Japan (1901) 240.4	9 -0.1	233.78	161.33	184.75	226.64	0.0	2.51	240.67	232.50	162.39	184.59	226.62	242.17	193.43	192.43
The World Index (2363)209.0	5 0.3	203.23	140.25	160.60	178.12	02	2 13	208.48	201.40	140.67	159.90	177.74	209.73	173.28	173.28

nded Monday's loses ecom Italia down 27 at 1.2,348. A saw contrasting sto A saw contrasting so.
OMV, Lenzing so.
Inhof as the AM
It is balance, up all
2 following a session:

jeinhof, the cardboad set Sch20 to Sch26 is ding after passing in spite of a 75 per rovement in its less enzing, the fibre reenzing, the fibre manifell Sch20 to Sch20 a warning that it di a to match last year's 1996 because of diff. ng conditions. sitive note, OMV, the nd chemicals stone index's most heavily constituent, climba Sch964

EST recorded a lie ne share price of Pgi conaceuticals group ded Ft100 at Ft5.900 nich contributed to e BUX index of 7.64% STANBUL SAW PROF having previous three consecuting closing highs. The mdex shed 753.70 g at to 68,625.82 in tun L14,790bn.

nd edited by William and John Pitt

small and media apanies fared bette ge-capitalisation and stocks as the compo-fell 4.20 to 659.07. Vol. weak, with 1822 langing bands nat South Rores see aestic product gran around per cent ost a projected 78%

pediate impact on & KOK retreate with many mester ack ahead of the pa-ORCOLLOR: Of economic SET inder losi fica a turranver of Busha Y was range bound of the day, with a t infine the All Only ies by 62023in

ent rise in 1996 be

# INSURANCE

# Uncertainty and risk move closer to home

The burden falling on insurers from pollution, industrial health risks and court awards continues to stretch

underwriting skills, writes Ralph Atkins

or the world's insurance companies, uncertainty and risk - on which they moving closer to home. Changing patterns of demand for insurance products, technology and stiff competitive pressures are requiring bold responses by

Globalisation, cost-cutting, consolidation and specialisation have become the watchwords of the general - or nonlife - industry across western Europe and the IIS.

At the same time, the risks against which insurers are offering protection remain as unpredictable as ever. Munich Re. the world's largest reinsurer, last week calculated that insured losses from large natural catastrophes had increased by a factor of 15 alnce the

The burden falling on insurers from polintion, industrial health risks and court awards continues to stretch underwrit-

In a traditionally cautious sector, few insurers will be unaffected by such trends. Nor will there be easy palliatives. With the outlook for financial markets unreliable, investment income cannot be relied upon to compensate for insurers" focused on developing life by its architects but change is operations, the upheaval around the world in state provision of welfare benefits may offer opportunities - but insurother providers of financial services, including banks.

lenge for the non-life sector in the past year has been the softening of markets. Customers have benefited from tumbling premium rates, triggered hy the influx of capital into an industry which has been enjoying good profits since the early

in areas which the industry has traditionally found troublesome, and where past problems. are still being paid for - some areas of liability insurance, for example - rates may bave remained stable or policy wordings tightened markedly. are supposed to feast - are . Elsewhere, 1996 renewal season policy rate reductions have m breathtaking, once again threatening the profitability of the London marine insurance market, for instance.

Downward pressure, on prices may well intensify. Despite Munich Re's warnings about the risks faced by industry and individuals, growth in demand for non-life products saturated western markets is often expected to be no greater than the increase in gross domestic product.

Torse, from the insurance companies per-spective, many commercial buyers are buying less. Dedicated or "captive" insurance companies, owned hy large corporations, are taking husiness from conventional insurance carriers. Risk management is maturing as a professional skill deployed hy commercial companies to reduce their insurance bills.

Meanwhile, premium rate competition is being fuelled by deregulation. The creation of a single non-life insurance market in the European Union since July 1994 may not have taken off at the speed expected perceptible; witness price-cutting triggered in Germany by the arrival of insurance companies selling motor insurance by telephone direct to consumers. Throughout east Asia, the prospective opening up of marWorld Trade Organisation deal on financial services - signed by the European Union and 28 other countries - could offer expansion opportunities but is also putting a greater empha-

sis on prices. in Japan, insurance law reforms effective from April 1. together with continuing pres-sure from the US for liberalisation of the Japanese life and non-life sectors, mean that strict price controls in the world's second-largest insuranca market might eventually be relaxed. Established Japanese national insurers could then be undercut by more effi-

More striking could he the impact on premium rates of technology which, so far, has been exploited besitantly by insurance companies in comparison with other financial services industries.

There is the potential of passing on to consumers the effect of cuts in the cost of hack-office administration. And information technology is allowing the individual assessment and pricing of risks even for small ticket husiness such as personal motor and household, allowing insurers to target selected risks with competitive prices.

Technology is also speeding transactions, allowing the bestequipped insurers to offer dramatic improvements in service. In commercial insurance, the six largest insurance brokers are attempting to bring about a technological "big hang" hy setting up a "World Insurance Network" that could result in cost savings of up to 20 per cent and allow insurers to transact business worldwide from computer screens in their

Although there are no easy responses to such challenges, some common themes have . emerged in the past year. First, there has been a recognition that the industry's past problems need to be addressed if an insurer is to compete effec-The most immediate chal- kets following last year's tively in the future. Several US



insurers have announced substantial additions to claims reserves. And in the most dramatic examples of taking stock of the past, massive US asbestos and pollution liabilities have been transfered into separate companies by Lloyd's of London and Cigna in the US.

Lloyd's has much broader problems to address than many of its rivals, including the need for an out-of-court deal with thousands of angry loss-making and litigating Names, or investors. But the successful launch of Equitas, a giant reinsurance company which Lloyd's is setting up to take responsibility for more than £10bn of liabilities outstanding on policies sold before 1993, would boost significantly the 300-year-old insurance market's chances of reasserting its

role as the world's leading insurance centre.

Beyond dealing with past problems, insurers are seeing advantages in globalisation. Size increases an insurers attraction to multinational consumers which want to buy policies from an insurer with a

good geographical spread. From the insurers' perspec tive, size also provides a bigger cushion to protect against the largest natural catastrophes. Being hig increases clont in investment policy when earning income on premiums before claims are paid; it increases the amount that can be spent on marketing; and it strengthers an insurer's hand in negotiating reinsurance policles to provide protection against large losses.

Where insurers are looking

size means that a significant contribution can be made to providing underwriting capacity demanded for large-scale infrastructure projects - and that insurers can afford to wait

> in other markets. Among reinsurers, the perceived importance of increased capital strength led US groups General Re and Employers Re to maka substantial acquisitions in Europe over the past Among direct insurers,

> for a payback on investments

to tap opportunities in fast

growing emerging economies,

where marketing and distribution costs are more critical. there have also been ample examples of insurers seeking build internationally. Mnnich-based Allianz increased its presence in 1994

### in Europe hy acquiring operations from Swiss Re. France's Axa is extending its activities in east Asia, using as a base the operations of Aus-

tralian life insurer National Mutual taken over last summer in a A\$1.1bn deal. And Switzerland's Zurich Insurance last year bid \$2bn for Kemper, the US life assurance and fund management

company, to add to a US stable which also includes much of the insurance business underwritten hy Home Holdings, troubled US associate of Swedish insurer Trygg-Hansa. Sheer size is not the only factor insurers have to bear in mind however. "The strategy

of the bigger players," says Mr Alistair Johnston, of management consultancy and accountancy firm KPMG, "is to get critical mass and information technology functions. The problem is that some are encumbered by inherited IT systems, their sheer size and management structure... In terms of fleet of fcot, clearly there is an issue there."

Many of the most profitable companies will continue to be smaller insurers with tight control over the business they underwrite and their expenses and with managers astnte enough to spot unmet demand. Royal Bank of Scotland's

fast-growing Direct Line insurance company, which pio-neered the telephone selling of otor policies in the UK, is likely to prove a model in other countries where insurers which cut out brokers or agents - and their commissions - and deploy computers to price risks individually are still novelties.

In the price downswing, size may actually prove a disadvantage, forcing the pursuit of unprofitable business to cover the cost of running a large, inefficient local infrastructure. Understanding national characteristics is also important: despite removal of trade barriers, consumers are sceptical about buying financial products from foreign companies. Sucb considerations mean

large insurers seeking a global reach must tread carefully. They have not only to ensure their capital is deployed efficiently across the various markets of the world with resources pooled wherever possible. They must also combine local expertise and underwriting flair with tight controls on

The need to strike such a balance should not stop the

### IN THIS SURVEY

 The UK market: The golden glow is giving way to harsher times London market: A time for tough decisions

Life industry: Cheer despite the gloom Employers' liability: The growth in occupations ase claims has been a worrying trend

Technology: Legacy systems show their age Risk ma An expanding role

 Continental Europe: The outlook is far from The single market:

The French Structural reforms continue European health care: Private sector'e role grows

Significant opportunities are possible The US: Difficult phase ahead

 Risk managemen Pollution The buyer's

**Production Editor:** Philip Sanders

wave of takeovers - indeed the signs are it is an important motor behind recent moves. Much of the recent takeover activity in the UK, for example, has been IIS and Bermudian companies brying agencies running syndicates at Lloyd's of London. Not only are such predators betting on a revival in Lloyd's fortunes. They are also buying local expertise.

With the profitability of the insurance sector threatened by aggressive price cutting, the pressure to restructure will remain. As Mr John Kriz, who analyses insurance for Moody's investors Service says: "In the US: and other market places around the world, the consolidation trend has not run its

With a network that is solid and unified, UAP can assert its position as the leading French insurance group and the second largest in Europe and, more than ever, focus its strategy on improving profitability.

Facts about UAP Group, the reference European insurer

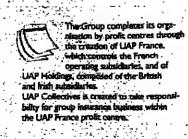
# key events

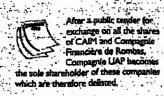




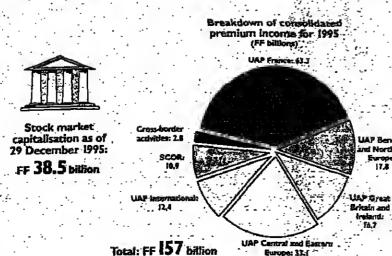
 $Pew^T$ 

In order to offer a better service to multinal companies, a group insurance net

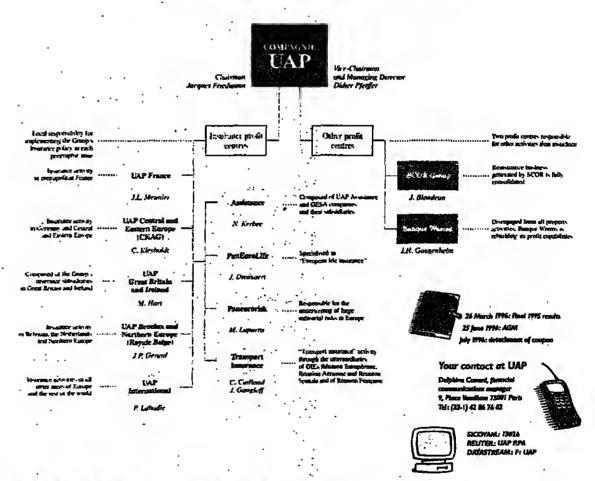








SIMPLIFIED STRUCTURE





policy, the Grou technical profitability. under from coords. The

combined ratio has therefor hs dominant position in industrial insurance and its expertise in group insurance, will give UAP the persion hand market develops in France.

UK, the Group has held up boog aits or bus arigusts: formance of its co in Germany and Belglum,

entraction : while leaning on its traditional networks expertise, whose cost is conditionally decreasing UAP has entiated a fap-reaching diversification of its through training, technologic innovation and affances with outside partners, such as the

Post Office in Beletom and

UAP is rapione Kemper in the U.S. and

Dai-Tologo in Japan, in order to benefit from various skills widen the Group and to series of actions has been buriched to deve synergies: industrial risks (Panestorisk) group insurance the insurance reinsurance

■ London insurance market: by Ralph Atkins

by institution

# Shadow over golden glow A time for tough decisions

Upheaval in Britain's general insurance sector has emerged in many ways

It was, in the words of Mr John Carter, chief executive of Commercial Union "a golden scenario". A year ago, UK based general insurance companies were enjoying the benefits of higher premium rates and lower claims thanks to good weather and declining crime

He might have added that insurers' investment income was also bubbling, thanks to favourable conditions in financial markets.

Now, the golden glow is giving way to harsher times. Competition is driving premium rates lower and claims are ris ing. The fear of many in the industry is that history is about to repeat itself; that UK insurers are facing a steep decline in profitability and further disappointing rewards for

Upheaval for the UK general insurance sector has emerged in many ways. It could presage similar turmoil in other European countries as deregulation injects the same competitive pressures that have been longstanding in the UK.

First, direct selling by telephone – as pioneered by Royal Bank of Scotland's Direct Line - has matured. Not only have such companies reduced the cost of insurance by cutting out brokers and their commissions, they have also used computer technology tn assess risks individually, allowing premium rates to be pitched precisely and the lower-risk customers offered the best

The dynamics of personal motor and household insurance have changed significantly. Size is more important; the larger insurers can spend more on building brands essential when dealing direct with customers. Expenses have to be pared.

Second has been the widespread rate cutting following the exceptional profitability of the past few years, Household rates have fallen by as much as 15 per cent over the year. Even Direct Line expects to



have an operating ratio - claims plus expenses as a proportion of premium income close to 100 this year. That will leave it relving largely on investment income to make a profit. And if Direct Line is facing such pressure, others will he heading for significant

Mr Michael Bright, chief executive of Independent Insurance, observes: "Reinsurpremiums [protection against big losses] continue to reduce, thereby fuelling insurers' determination to retain market abare; and this despite increased losses resulting from subsidence, due to the dry summer and the December freeze. This irresponsible behaviour by some insurers will generate a further downward trend in rates over com-

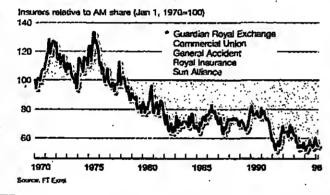
ing months." Third has been the entrance of new rivals, Building societies and banks are moving into insurance sales and, while facing similar pressure on costs, poised to begin taking over the traditional insurers role as underwriters as well as service providers.

Fourth, as a result of the competitive pressures, the pre-mium income of the large composites - selling general as well as life products - is under downward pressure. Solvency ratios - assets as a proportion of policy premiums - are rising. That is providing an incentive to seek acquisitions or other ways of expanding business in order to deliver returns to shareholders.

Mr Alistair Johnston, partner in charge of the UK insurance practice at KPMG, says insurers may be better placed to respond to such changes than in the past. There has been an influx of new managers from outside the insurance industry. Competition, he adds. also "concentrates minds wonderfully" and increased attention is being paid to strategy.

There is, too, a consensus that onderwriters are becoming more disciplined. The losses incurred by the industry in the early 1990s still haunt memories. Attempts are being

UK: top five insurers



rates, for example. Meanwhile, many insurers are looking to overseas operations to compensate for declining UK profits.

But the response to upheaval in the sector by its main participants has varied. Some, such as Commercial Union, have focused on developing international operations, and have almost boasted at the way in which they have lost potentially unprofitable bome market business. CU bought French insurer Groupe Victoire for \$1.45hn in 1994 and now about a third of tts premium incoma comes from France

Others have looked for other sources of UK income to stabivolatile general insurance earnings, Genaral Accident, the Scottish-based composite, last September announced the 2170m acquisition of Provident Mutual the life insurer. It is also looking for continental European expansion, however.

Some - such as Royal and its much smaller rival, Independent Insurance - have decided to tackle head-on the deteriorating UK conditions, Royal has recently won contracts to underwrite household business for Halifax Building Society, (which could increase to £300m. the premium income it earns from Halifaxi and the Motabillty account for disabled motorists worth £100m. Fast-growing independent is relying on its carefully-controlled broker links and attention to underwriting standards.

What has been missing, so far, have been large-scale mergers or takeovers designed to exploit economies-of-scale. But there could be significant potential in merging information technology systems. Combined balance sheets should boost investment

Part of the explanation for the lack of action is the poor UK ontlook, which is encouraging managers to look elsehere to spend surplus money. Takeovers could also prove expensive compared with the alternative of making a dash for growth by cutting premium rates and spending heavily on marketing. But as conditions in the UK deteriorate, seeking economies of scale through merger or takeovers might become more attractive.

London Market gross premium income

The switch to electronic trading, increased competition from other centres, and the resolution of problems at Lloyd's are this year's agenda items

One way or another, this is going to be a year of profound change for London's international commercial insurance

Most obviously. Lloyd's of London - the market's centrepiece - has the chance, at last, resolve the terrible legal and financial problems which it has faced in the 1990s. Lloyd's investors, the Names, will this June or July vote on whether to accept a complex out-ofcourt settlement offer worth

At the same time, Lloyd's plans to transfer billions of pounds of US ashestos and pollution liabilities into a new rainsurance company, Equitas.

But there are other forces causing upheaval across the market. London-based insurers are having to adapt to the emergence of electronic trading systems - commonplace in other financial services but slow to penetrate commercial insurance because of the complexity of such transactions.

The London Insurance Market Network (Limnet) is expected to provide from this summer a fully operational trading system, or "electronic placing support". In theory, Limnet could cut out much administration and many time-consuming tasks currently handled face-to-face.

More importantly, electronic trading should lead to dramatic cost savings. A report last year by Coopers & Lybrand estimated that annual cost savings of £300m a year would he possible from a streamlining of the market's organisation and more effective use of technology.

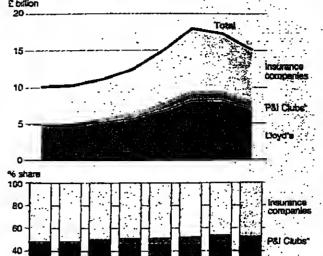
But electronic trading will

at best - only put London ahead of other insurers for a short time. Mr Mark Brockbank, chief executive of the Brockhank group of Lloyd's managing ageots, says: have to be there but it is not a question of gaining advantage. It is a question of keeping up.

As Mr Brockbank points out. the large international brokers. on whom the London market relies to supply husiness, are setting up the World Insurance Network (Win) which could result in husiness travelling at the speed of light to other insurance centres such as the mid-Atlantic tax haven of Bermuda or in continental Europe.

The strength of that competition was implicitly acknowledged last month by the London International Insurance and Reinsurance Market Association (Lirma) - a rival trade association to Lloyd's - when it announced it was opening membership to insurers elsewhere in Europe which do not bave London offices.

Crucially, the move gave ccess from non-UK locations to Limnet and the London Processing Centre, run by Lirma with London marine insurers and which processes policies and claims. The aim is to



strengthen London's importance by increasing the amount of business passing

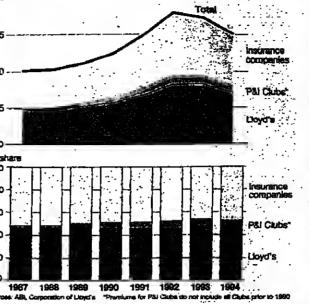
through it. Mr Philip Marcell, Lirma chairman, said: "We are the last part of the financial services industry to think about this sort of [technological] change and we need London to be in the forefront of that change.

And competition is getting fiercer: London has lost some of its edge as a centre for reinsurance - protecting other insurers against hig losses. Last year a survey by the Reinsurance Association of America put Bermuda ahead of the UK as the higgest foreign provider of reinsurance cover to HS companies.

In other sectors, rates have been falling steeply - albeit from highly profitable levels in

recent years - as competition from other centres has intensified. "There is too much capaclty about and if London won't play hall, business will just stay in America or go to Bermuda," says Mr Roman Cizdvn. insurance analyst at Merrill Lynch.

more than others. Commercial activities.

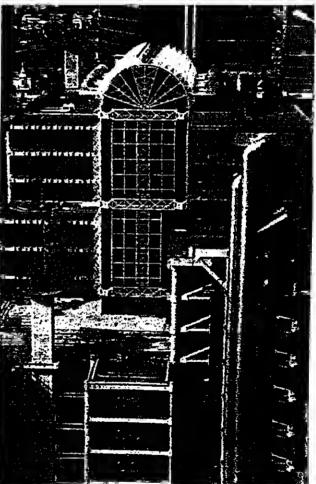


Some have felt the pressure

Union, the UK-based composite, has all but pulled out of non-marine reinsurance. General Accident, another composlte, has said it is considering a sharp reduction of lossmaking No longer is it sufficient for

London market activities to be regarded as-a sideline by an insurer. The successful participants have large capital bases and highly-rewarded, profes-

With the large continental



Much hange on Lloyd's complex series of proposals

come from overseas, notably Bermuda where the physical contraints of island life have prevented the growth of labour-intensive insurance activities. (The emphasis. instead, has often been on rein-

At Lloyd's the increased Bermudian involvement has been striking. Some of the largest managing agencies, running insurance syndicates, have been acquired by companies from the island: Brockbank by Mid-Ocean; Octavian by Terra Nova: Venton by Trident Partnership. To a large extent such moves represent a vote of confidence in Lloyd's. But those working at the 300-year-old market - the underwriters and executives - realise they cannot escape the trends affecting the whole London market.

European insurers stressing

the importance of long-term

contacts with insureds, the

successful London market

companies also need to put an

increased emphasis on market.

ing and building client rela-

tionships - notwithstanding

the continuing reliance on bro-

More often than not in the

past year, new investment has

In a move which reflects the flight by clients to more strongly capitalised participants, Lloyd's is replacing traditional individual Names with corporata capital, trading on limited liability. Its syndicates are becoming fewer in number but larger. And by huying managing agencies, the corporate investors are creating nascent insurance groups operating under Lloyd's umbrella but akin to conventional insurers in that capital and underwriters are jointly owned.

Eventually, Lloyd's system of raising capital annually - beloved by traditional mes because of the flexibility it gives to switch between syndicates but loathed by underwriters because of the planning headaches it created is likely to be reformed.

As that process evolves, the distinction between Lloyd's and the rest of the London market - populated by offshoots of international insurers including most of the higgest names - will blur and the potential for economies of scale will mount. The pressure for a merger of the main trading organisations - Lloyd's, Lirma and the Institute of London Underwriters (representing marine, aviation and transport underwriters) - will increase.

Much depends, of course, on successful implementation by Lloyd's of its recovery plans. The managing agencies have contingency plans should it fail. Undoubtably many could quickly re-emerge under the umbrella of other insurance companies and associations. But the failure of Lloyd's - the largest, most experienced and best known part of the market - would besmirch the market's reputation, perhaps irrevoca-

bly. So, much hangs on Lloyd's complex series of proposals which seek to halance the Interests of loss-making, litigating and angry Names with those of the continuing market. There has been much noise by all sides. Much is posturing and hard decisions will have to be taken this summer. A lot hangs on the outcome.

# Cost of terrorism

An IRA bomb in London's docklands. Perhaps some £150m damage results. There are fears of a full scale resumption of terrorist attacks on the UK mainland as the ceasefire announced in 1994 collapses.

It might all seem an insurers' nightmare, the sort of threat to their profitability which would force unpopular across-the-board increases in insurance premium rates. In fact, although last

month's bomb attack could push up the cost of terrorism insurance, the wider repercussions will be relatively minor. This is because the cost of terrorism attacks is borne largely by Pool Re, the state-backet reinstrance company set up after the 1992 bomb attack on the City of London.

Pool Re operates as a mutual. Its members - the main insurance companies - sell terrorism insurance on terms and conditions set by Pool Re. in return, Pool Re carries most of the hurden of large terrorism claims, in offect removing terrorist attacks on large commercial properties as a worry for

insurers. Buyers of terrorism insurance, however, may be canght by a "no-claims" discount scheme operated by Pool Re. For 1996, the reinsurer agreed to collect only 60 per cent of the policy The remaining 40 per cent

would be waived if claims on Pool Re did not exceed £75m. It is not yet clear if the Docklands bomb will breach that £75m threshold. Although the damage caused is likely to exceed £100m, that may not necessarily translate into Pool

Some of the buildings affected are thought not to have been insured. Some protection would have been provided by Lloyd's of London syndicates which offer an alternative to Pool Re.

It would, however, only take a relatively small incident elsewbere on the UK mainland, to push Pool Re claims for the year above £75m. The attention Pool Re is

receiving may well revive a debate about how the scheme operates. There has been criticism from insurance bnyers about its inflexibility companies cannot choose to insure only buildings in vulnerabla sites; they must insure all or none of their

Its rates are also expensive, particular considering that prior to the 1992 IRA bomb attack on the City of London unlimited cover would be provided as part of a standard commercial policy.

The Association of Insurance and Risk Managers (Airmic) bas proposed that Pool Re could be funded by a flat levy on all commercial property insurance, allowing a return to the automatic

provision of terrorism cover. It also suggested earlier this year that Pool Re could be extended to cover other disasters, in the way that funds set up against natural catastrophes work in other European countries and the

The problem with that idea

is that a terrorist bomb attack could then affect commercial insurance costs for a larger number of companies. For now, many with properties that might become IRA targets are simply satisfied there is somewhere to buy cover at all.

Ralph Atkins

# WORLD **INSURANCE REPORT**

World Insurance Report has a proven record of finding out what readers need to know. No matter what the location, market sector, company or risk, its well-established network of expert correspondents and industry contacts brings you the hard information and concise, accurate and

timely analysis you need. As a subscriber to World Insurance Report, you

will be kept abreast of: Competitors' activities and financial status Potential business and investment opportunities

Legal and regulatory changes Latest deals and moves in the marketplace Losses around the world

To receive a FREE sample copy, contact: Charlotte Green, FT Financial Publishing, Maple House, 149 Tottenham Court Road, London W1P 9LL; UK Tel: +44 (0) 171 896 2314 Fax: +44 (0) 171 896 2319



Walfgung Amidens Mozart. Argusbly the greatest composer of all time. Inventue, original, versatile, fast. From the use of eight he imported his unique, nuight to everything he wrote: plane and chambe music, songs, concerns, symptomies, chural walks, were a securious and disease. works, operas - even cassations and dances, the popular music of his day. GREAT EUROPEANS a series from Sedgwick No 1 in Europe WE DRAW A MODEST PARALLEL. We fit gives you security, because it allows us to may not produce exquisite divertimenti. but maintain a service of consistent excellence we do share someof the master's qualities. to ISO 9001 and beyond. Enough to make us Europe's No 1 It also means we combine intimate local insurance broker. knowledge with Europe-wide attitudes. We Despite our size we remain flexible. can field our own international experts in all branches of risk consultancy and broking. innovativeand versatile. We have an ear for listening and a talent for interpreting. And being No 1, we negotiate from strength to get you the best terms possible. But unfle Mozart, we are financially astute. We own or control virtually all So: for a musical evening, Mozart has the our associated companies edge. But for a risk management or throughout Europe of the file insurance programme, it has to This is not just ideal for cross-border cover. Sedgwick

# Cheer despite the gloom

In a climate of increasing competition, the winners will be those with lower costs and more flexible products

MARCH 27 199

ions

aportance of long.

ssful London was seed emphasis on an building client a not with state attinuing reliance.

ntiming reliance on

e often than not in

ear, new investment

from overseas to

ida where the plant ints of island life

nted the grows r-intensive insur-ties. (The emple

d, has often been on

loyd's the increase

n involvement has

ging ageocies of ance syndicates, b

acquired by come he island: Brockle

cean: Octavian by j.

Venton by Trident, p. To a large enter.

represent a vote de e in Lloyd's. Bm

ng at the 300-year t - the underwing:

tives - realise they:

cape the trends after tole Loodon marke

move which refer

hy clients to a

rly capitalised pag

Lloyd's is replaced

ate capital trains

couring fewer in me.

arger. And by by

ing agencies, the

nvestors are me

nt insurance sc.

ting goder Lie

Ha but akin wo

insurers in that of

nderwriters are in

atually. Lloyd's 🚌

ising capital and

sloved by trades

because of the lat

gives to switch bee

rates but loathed!

writers because of

ng headaches a me

tely to be referred

hat process stoke a

rilon between this

he rest of the long

t - populated by d

of intermedial me

inding used to be

ames - Willes and ial for er crass deal

ount The passe her

r of the material

sations - Lyis Line

se Institut d'Lob

writers crowsalt

n avianim ini tasa

Carte - 1 - Will more

a depends frome:

। वर्ष १६५ वस्तान्त्र 🏚

anarin, .citda's

genc' plans theme nelocitating and

h testinits ma:

Ma of other ment

nies and assume

e Caritary of Lingles.

HOUTE PRETO C' THE RE-

d resembeh in w

tion perhaps and

much hangs on the

ex series of pre-

its of less make:

and angry Name:

of the statement

here has been y all sides linds

and have darsing

) he lakes this sai the first the first

a terrorist bomb

hen allen comm

ice costs for a left

r of companies for

phy satisfied thers

here to how roters

of expert

ice Report, 134

nancial status

vestment

nanges

; marketplace

Ralph Adi

TO A REP blober ght become IRAM

seek to balaza:

The UK life industry has been through difficult times over the past couple of years. A sharp decline in new business has combined with mounting competition and rising costs to make selling life assurance, pensions and investments much less aftractive than it .

business through the early 1990s, sales of both regular pre-mium policies - in which policy holders invest a regular sum each month - and lump sum policias have fallen

published figures show a slight.

The total of 22.13bn in regular premium new business and £11.66bn for single premium new business in 1995 were respectively 17.8 per cent and 15.2 per cent below 1994 sales, putting them at the more pessimistic end of estimates.

Yet figures within the life

reasons to be cheerful.

The demand for life and pensions products has been sti-After heady growth in new fied by economic uncertainty." says Mr Tony Baker, deputy director-general of the Associa-tion of British Insurers. "But Even those who foresee that 1996 will still be subdued

harply. believe that within a few years
Although the most recent the elements are in place for growth in the UK life assurupturn in sales over the final ance and pensions market.

The ABl also reports that

employers' liability insurers,

excluding Lloyd's, paid out estimated claims of £655m in

·1994, compared with £609m in

From January 1 1995, rein-

surers and insurers placed a

limit of £10m per occurrence

the UK, in an attempt to check

more difficult for large bust-

nesses to obtain cover, but

according to reinsurers and

insurers the £10m has been

Mr Helmore explains: "There

was a concern that if every-

body wanted to buy high limits

ever, raising questions as to

whether the industry can gen-

erate, sufficient premium to

pay for limits greater than-

As one reinsurance market

generate sufficient premium

higher limits are insufficient to

maintain, the portfolio

Currently, employers' liabil-

ity has an estimated premium

base of £800m for risks of £10m,

Much depends on whether

the government introduces

changes to employers' liability

legislation later this year.

Insurance) Act in 1969, employ-

ers have been required to pur-

. A consultative document on

employers' liability insurance

indicated that £10m per occur-

rence would be an appropriate

minimum level. Mr Helmore

says: There is little doubt that the £2m level will he

£10m in the future.

long term."

their exposures to claims. Many thought the introduc-tion of limits would make it

Employers' liability: by Claire Wilkinson

# Concern over

Provision of cover for occupational disease risks is still particularly

In a landmark ruling last January, the High Court, Newfrom the occupational disease Vibration White Finger (VWF).

For insurers and reinsurers on employers liability risks in dents and illness at work, the growth in occupational disease.

According to the Association of British Insurers (ABI), occupational disease accounted for

away from safety to health is a significant problem for pri-

says-Mr lan Helmore, liability underwriting manager at Inde-

more difficult because it is not so obvious for the employer

resents the highest incidence of occupational disease claims. accounting for over 83 per cent in 1993, according to the ABL However, claims from emerging diseases such as stress in the workplace and occupational asthma are on the

cent of occupational disease claims in 1993, up from 0.6 per

more than 1,000 people develop occupational asthma each year, resulting in the loss of one million working days and £50m in output, while about 70,000 people in the UK believe they have asthma caused or made worse hy substances

breathed in at work.
Exposure to respiratory sensitisers including flour and grain dusts, laboratory animals asthmatic response in individu-

In an out-of-court settlement last November four laboratory technicians at Glasgow Univer-sity were awarded a total of £200,000 in compensation after developing allergic asthma while caring for animals in badly ventilated rooms. The

expansion in types of occupational disease, a greater awareness of risk management among employers has left them much better placed to deal with issues before they become a problem on the scale of deafness claims. For this reason. insurers remain positive about which ensures an employee

Mr Helmore says: "Those cannot guarantee he is going problems can be managed. It is a question of trying to make sure that employers are aware. The author is a writer for the of the risks. If you make sure Financial Times World Insurthe quality of the risks you ance Report

three months of last year, the year as a whole saw sales of regular premium policies lower than at any time in the decade so far, while for single premium policies, sales levels were lower than in 1994, 1993

assurance sector are finding

this is beginning to change."

# claims trend

go a long way to managing your exposure. Employers' liability has been an unprofitable line of business for insurers. Between 1980 difficult to make and 1993 the ABI estimates that insurers paid out £1.50 in employers' liability claims for every £1 paid in premiums.

castle, judged that British Coal had been negligent in not dealing with health risks arising-Compensation claims against the company from around 500 present and former miners are expected to follow.

providing employers' liability. insurance to cover for acciclaims has been a worrying trend in recent years.

adequate for the vast majority of insureds. 56 per cent of employers' liability claims in 1993 and 21 per. cent of total claims costs; up from 48 per cent and nearly 11 per cent respectively in 1989.

there may not be enough to go Special clauses in most rein-surance contracts limit gen-surers' exposure to occupa-tional disease, but the shift around Because most employers have not bought more than £10m, anyone who has wanted to buy more than £10m has higher limits is predicted, how-

"It is the area which makes employers liability cover par-ticularly difficult to write;"

"Slips and Talls are still important but relatively easy to manage. The disease side is is whether the industry can for limits above £10m. The pre--mrums being charged for the

industrial deamess still rep

Asthma accounted for LI per Since passage of the Employ-ers' Liability (Compulsory cent in 1989. chase a minimum of £2m indemnity.

The Health and Safety Executive (HSE) estimates that

Changing the basis employers' liability cover is another possibility. However, would be reluctant to see cover als, sometimes causing death. offered on a claims-mada rather than a claims-occurring

it is difficult to look into the future now, an insurer can look at the risk and make sure it is being managed properly. With claims made cover I am university admitted liability. insuring the risk that is there Despite the tremendous but I am also pricing up all the risks which were there in the

Changing to claims-made cover would also have disadvantages for employees. "Employers' liability is linked to a piece of social legislation writing employers' liability gets his compensation. If there is a claims made wording you

to get his money," says Mr Hel-

managing director of Standard Life, the UK's largest mutual assurer, told a conference: "An ageing population, a growing service economy with a greater proportion of part-time workers facing more uncertainty, and the contraction of the welfare state, are all combining to

pension provision." A further area of potential growth was opened up by the UK government's signal in its Budget statement late last year that it was looking for new ways to encourage people to take out policies to provide for themselves if they required long-term residential care, instead of looking to state

provision. "The scope of opportunities cannot be fully defined until the government has decided how to proceed. We believe the UK life industry will be offered a major new market," say the life assurance analysts at Merrill Lynch. But some of the existing UK

life industry will probably not be around to benefit from this In December, consulting actuaries Bacon & Woodrow

re-stated their view that 40 UK life companies might have to stop selling if competition took the form of a price war - and commented that 12 had done so since they had first made their

Since then, Clerical Medical.

itself up for sale, and anecdotal are well over 30 life companies available for acquisition at the

The most vulnerable categories are seen as mutuals - because they may lack access to sufficient capital to invest in areas such as technology create a market which will which are necessary if they are to produce competitive policies - and UK subsidiaries require more protection and of oversees companies which have failed to achieve critical

mass within the UK market At the same time as such companies may be closing to sales or losing their independence, there is no shortage of newcomers to the market - evidence of its attraction in spite of the receot difficulties.

The new entrants broadly take one of two forms: those seeking to sell a limited range of products using the low-cost distribution of telephone selling, ofteo without giving advice; and banks and huilding societies setting up their own life assurance operations, selling their own-hraod products through their high street branch networks.

Against the background of this intensifying competition, many UK life companies are focusing on their domestic business, instead of making the development of markets overseas a priority. This is partly because while

many life assurers routinely describe the UK regulatory

regime as onerous, they also believe that it can be hard to penetrate other European

markets, and that the German

market in particular is one

where it is hard for foreign companies to make an impact. Other European ecocomies are having to face the same pressures oo how to make provision for an ageing population - and one where life expectancy is increasing - as the UK is doing, but the

prospects for growth are less dramatic throughout Europe than in Far Eastern economies. Prudential, the UK's largest life assurance group, has for some years been seeking to build up a presence in the Far East. Its longer-established businesses such as those in Singapore are profitable, although other operations, such as those in Thailand and

Indonesia, are not yet making

The great prizes in Asia for any life assurer are the prospect of access to the Chinese market and the likelihood that the Indian market may also be opened up. Earlier this month, Mr Peter Davis, the Pru's chief executive, said the Pru would be one of the foreign companies seeking a licence from the Indian government to start joint ventures. Standard

interest to eotering this market.

For European assurers, such possibilities will add significantly to their profits only in the long term. For the next few years, the prospects for growth are likely to be concentrated on markets closer to home - and in a climate of increasing competition, the winners will be those with lower costs and more flexible





# Unlock the power of Aon's specialized knowledge and worldwide resources

You have the key to a powerful world of insurance and consulting solutions.

When you call on Aon for your full-service retail insurance brokerage, risk management, reinsurance and wholesale brokerage or consulting services needs, you're unlocking the power of Aon Group's 14,000 employees in more than 350 offices around the world.

You'll have access to our full range of expertise, talented professionals, interdependent services, and local market knowledge worldwide-whatever you need, wherever and whenever you need it.

We've been building this organization around your needs for the past decade. Today we're the world's second-largest and fastest-growing international insurance brokerage and consulting organization.

Now we're ready to be recognized by the only name you need to know for innovative insurance and consulting solutions anywhere in the world: Aon.

Therefore, we've changed our name to Aon Group from Rollins Hudig Hall Group. Our retail insurance brokerage and risk management business is now Aon Risk Services, and our integrated human resources and benefits consulting operation is now Aon Consulting Worldwide. These newly named operations join Aon Specialty Group and Aon Re Worldwide to comprise Aon Group.

From now on, doing business with Aon is your key to the power of a worldwide interdependent organization built around your insurance services and consulting needs.

Aon Group

# egacy systems show their age

An early user of computer systems, the industry is now exploring a number of new means of cutting out paperwork and improving customer service

The insurance industry pioneered the commercial use of computers in the early 1950s. The big insurance companies started by using them for actuarial calculations, hut soon realised their potential for

transaction processing.
As they learned how to get the maximum commercial beoefits from computers, they built massive mainframe applications which allowed them to expand their husinesses very quickly to a size which would have been unmanageable with manual systems.

Unfortunately, these early advanced systems have become today's deeply embedded legacy systems. They are expensive to maintain at a time when costs are under tremendous pressure.

"The industry hullt very large scale systems in the 1960s and 1970s which were enhanced with tremendous functionality for old products and channels," says Mr John Cbrysier, president of the insurance division of EDS, the global information technology services company. "They built an infrastructure which has become a barrier to the adop-

tion of new technology." It will take a long time to re-engineer some of these systems, so the insurance industry is having to resort to a series of measures to help reduce costs around the periphery. These include data warehousing, electronic commerce. use of the Internet. klosk retailing, workflow

organisation and many others. Using data warehousing techniques, valuable data in legacy systems can be unlocked by cleaning it, and by transferring and integrating it into a separate open clientserver relational database. It can then be accessed for declsion support by a wide range of

Integration involves combining transactions with the same customer from separate systems which might exist for life assurance, vehicle, household, pension, medical, and other areas. This enables the organisation to understand its customers bettar and actively

Mr Chrysler is enthusiastic: 'Data warehousing frees deciston makers from the limitations of the highly structured legacy systems and provides them with information at any

to target further products at

time in any form." Mr Bill Inmon, who invented and developed the concept, says: "In the insurance industry, the leaders in data warebousing have been the medium sized and smaller companies. The large companies are struggling because the size of the iegacy data problem is so

Mr Andy Daniels, IBM's UK insurance specialist, says: "There is no reluctance to invest because it clearly gives a competitive advantage. It only requires a 0.1 per cent improvement in managing pol-lcy risk to pay for the infrastructure and management of a data warehouse."

The insurance industry has targeted the cost of bandling paper and introduced workflow systems to allow employees to work with digital images of correspondence and forms. The latter can often be read by software and automatically input

This brings tremendous additional advantages in customer service through speed of processing and immediate access to information. These systems can be implemented using departmental client-server systems, with a back end interface to legacy systems.

Prudential, one of the world's top 10 life insurance companies, has implemented a 550-user system from Cambridge Technology Partners which will increase staff productivity by more than 30 per cent, resulting in an estimated £5m annual reduction in costs. The next stage in eliminating paper comes through elec-

structured dato between com-

muters. It operates across the

supply chain, between client

Legacy from the 1950s; an IBM valve comput

insurers, re-insurance brokers, re-insurers and retrocessionaires, as well as suppliers and regulatory authorities.

This allows direct transfer of electronic information without buman intervention, speeding up the process and reducing the costs. "On average, information is re-keyed 14 times in the London Market," claims Mr Charles Taylor from the IBM Global Network.

"Insurance is one business activity which hasn't fully accepted electronic trading so far, primarily due to its complexity." explains Mr Roger ummers, managing director of Datasure, the market leader in electronic insurance

systems in the London market. "Forward thinking broking and underwriting organisations are now accepting the concept for risk placing, closing and accounting." These electronic trading net-

works can act as a front end to old legacy systems. The UK has led the world in developing electronic trading, but its use is beginning to spread. A number of initiatives have developed recently. Established in 1987 and managed by IBM, the London Insurance Market Network (Limnet) is the biggest, covering Lloyd's, brokers. undetwriters and reinsurers. It is still being expanded, but

current usage is running well

ahead of target and Lloyd's

companies, brokers, direct estimates that it has saved 61 pence per transaction comsystems Other initiatives are following, including Commercial Lines Market Initiative, Polaris for personal line, Origo for life and pensions and the World Insurance Network, covering the world's six biggest

insurance brokers. With pressure to reduce the cost of sales and distribution. the internet offers other new and cheaper ways of creating additional business opportunities. "The Internet holds the promise of reducing distribution costs by 30 per cent, which insurance companies can't ignore," says Mr Chrysler.

However, it is still very early days in the development of Internet-based applications and the final form they will take has yet to be established. "The internet will change

the value chain in insurance, but we are still not sure bow." admits Mr Taylor, Pilots for genuine applications are now being built and experience with these will give an indication of how this oew channel can be effectively exploited. Multimedia ktosks are essen-

systems, they are equally valid tially personal computers for modern client-server equipped with touch screens. systems. The insurance indussound and video, often fitted try is making a big effort to into attractive displays. The harness IT in the battle for competitiveness, but ofganisacan be placed in any public tions still have a long way to area, allowing existing and potential customers to browse and seek information oo spego and there are some ftifidamental decisions to be made.

An expanding role

using quick and simple

systems for operators, linked to powerful underwriting

systems for analysing and

managing risk. This model

allowed them to undercut the

traditional channel and to take

abead at a time when others are working just to get level."
Using the telephone as its

sole distribution channal

enabled Direct Line to central-

ise and base all its operations

on IT systems. "As a result, we

give quotes faster, know the

second-by-second, and remove huge layers of paper-based administration in the process.

'It is efficient and productive

in ways that high street bro-

kers can only dream about.

most productive in the world.

Staffing is planned carefully

around the patterns of incom-

ing call volumes so no one is

either overrun or left twiddling their thumbs," Mr McKae notes. Direct Line had the fur-

ther advantage of building its

tion technologies are being

used by many organisations to

mitigate the cost of legacy

Whereas innovative informa-

systems from scratch.

Direct Line staff are among the

state of our business

"Direct Line's approach to

a 12 per cent market share.

cific products, inputting details Organisations. about themselves to get immeand their risk diate quotes. They can place orders or link to an expert managers in through a video link when particular, are they are close to committing. This approach, which can be taking a much linked to a legacy application

Risk management: by lan Gretton

by high speed links, collects broader view of risk valuable information from cli-No commercial enterprise and ents and reduces the costs of handling their inquiries. no element of corporate decision-making is free of risk - regardless of a company's size. Kiosks increase the number of places which can act as out-And at the beart of all risks is Much of the stimulus in the the manager whose job it is to identify, evaluate and control UK has come from Direct Line, which sold motor insurance

Risk management is a rela-tively new but increasingly influential business skill which many organisations in both the private and public sectors still have to embrace. It is also still a misunderstood profession, atise a common perception is that it merely entails buying insurance or managing finan-

the market was based on IT from day one," explains Mr Chris McKee, Direct Line's While risk financing does form an important part of the risk manager'e job, the role is underwriting and claims direc-Ten years later we are constantly expanding and developing systems to keep us senior management is increasingly coming to rely on the risk manager to identify, eliminate or make provisions for big ures to their business

The devalopment of global companies has inevitably resulted in the development of global and complex risks. Nick son, the jailed trader who brought down Harings, was not the first dealer to lose a fortune of his employer's money, and will not be the last. Tha speed of transfer of funds can create nightmare scenarios unless those funds are properly risk managed.

There are natural risks, such as earthquakes and hurricanes. Despite huge insurance claims as a result of the storms which swept Britain in October 1987 and January 1990, climatic changes were not regarded as a denificant flak to business by respondents in a survey last year among the UK'e 350 tep companies by Nottingham Uni-

versity's School of Finance. But insurance companies are believed to be reviewing scientific data on climate change to determine whether they can continue to provide catestrophe cover for natural and weather perils. There has been a gradual chift from the traditional way

through insurance companies. Increasingly more business is being placed through arrangements with banks and leading organisations' own offshore companies.

Modern communicatione have created their own risks, not only in electronic trading but in manufacturing, retail and distribution, where there is more reliance on automated processes. This means that an interruption such as a computer systems failure or fire can literally wipe out a business which relies on serving its

customers on a daily basis. There are inherent risks in computer systems, buildings, air conditioning systems, manufacturing processes and aquipment, materials movement, product liability, theft and many other fields.

This climate of change has raised the profile of the risk manager from simply being a buyer of insuranca, to tha point where management experts believe risk manage ment will have as much influence on business strategy in tha next decade as decentralisation and re-engineering have had in the past 10 years.

in a survey last year, the Association of insurance and Risk Managers (Airmic), which is second only in size to the Risk and Insurance Management Society (Rims) in the US, and has 160 corporata members - most from the top 200 UK companies - found that 90 per cent of its 780-plus individ-ital members had responsibilities over and above buying

"This is firm evidence that risk management has come of age," it said. "There is an understanding of the full range of risk management techniques available and how they can beneficially impact on a com-pany's bottom line." Mr Felix Kloman, a US risk

management guru, says: "Risk managers create opportunity, rather than being reactive to risk, and enhance the competitive advantage for their organi-SALINA.

Risk managers have develand from being insurance buyers to managers who have responsibility for practical risk identification, assessment and financing. For example, how

of protecting against risk much might be saved by companies identifying natural ricks at an early stage in investment programmes and designing preventative measures into new buildings?

Ensuring that staff are properly trained and avoid creating hazarde by following good working practices is a vital. aspect of risk management - the more so since employers' liability has become a big issue facing industry and commerce. Making employees aware of such issues as the consequences of sending out faulty products and training teams to fight fires are impor tant factors. Introducing a smoking ban, regularly check ing electrical equipment, and iustalling sprinklers and smoka detection devices are just as important as buying the

-4-10

CUAN

100

right insurance policy.

As more and more leading companies rethink their traditional approach to risk and insurance, risk managers will inevitably play e more impor-tant role in helping directors to

make strategic decisions. Organisations and their risk managers are taking a much broader view of risk, defining the political issues, climatic changes, demographic changes and even fundamental religlous issues which could lead to terrorism or civil war.

"Risk will have to be evaluated in terms of the overall estimate of the probable frequancy, probable severity and public perception of the harm to arise," says Airmic. "Tactical decisions will be

the responsibility of operating management. Risk managers will set the policy, communicute that policy and educate staff at all levels in risk management and, wherever possi-ble, give them the tools to do their jobs safely.

"The use of sophisticated risk management systems to track incidents and the cost of claims is now a vital part not only of the risk management armoury but is increasingly becoming part of the mainstream management ethos lo profressive companies. There are already plans to run risk thanagement programmes on the Internet." The author writes for Stuart

Hyslop Editorial Services - See also Page X

RETIREMENT

110000000

With so many clients worldwide, we have acquired such diversity of experience that we can be confident in the commitments we make.

you can rely on us



This number speaks volumes about AXA's size as one of the world's insurance leaders and of our efficiency.

Our clients, each with different retirement problems, live in 23 countries on 4 continents. Cross fertilization through International synergy groups allows us to devise more innovative and thoughtful solutions,

With US\$ 270 billion in funds under management, we are also the 4th largest insurance group worldwide. So we are not speaking lightly when we say: "Go ahead, You can rely on us".



ARCH 27 1996

ht be saved by com-lectifying natural an early stage us it programmes and preventative me, new buildings; if that staff are

s that staff are prop d and sypid creating or strices is a vital

of risk manage

e more so sho

Hability has become

facing industry an

Making employee

auch issues as the

ices of sending on

ight fires are impo

ors. Introducing ; an, regularly ched

cal equipment and

tection devices in

sources; as public to

retining they train proach to risk at the training of the risk at the risk at the risk at the risk managers of

play a more impe

1 beiging airectors

ations and their ne

are laking a min

ew of rick define

col issues chose

Gamostabhic spais

fungamental re-

es which could be

arress of the overe

of the probable is

robabile seventra:

ception of the has

il decisions will a

istocking of operate

ent Risk manage

he policy comma

policy and shap

l lever in risk 🕿

क्षात्रं भवनाद्यका भन्न

hem the lock us

se of cophisms.

igement street.

fents and the cur-

down a vital party

to fick managen;

but is mireign

part of the ma

多四角200m(1)、4位37。

ter contrace they They

TO DELENGE OF THE RES

sag leed, was ee

or whether it from

See an hee !

says Armie.

The or div. Wat. ili have to be enals

tegic decisions.

rance policy. s and more leading

# Meeting and exceeding expectations -UAP Provincial builds for the future.

NE of the most consistently successful gansral insurance businesses in recent years has been UAP Provincial. The Company, which was established as Provincial Insurance in 1903 and acquired by UAP (Union das Assurances ds Paris) in November 1994, has long been a consistently strong performer across a broad spectrum of commercial and persocal sectors. It has astablished a well deserved reputation for meeting tha needs of its intermediary and customer base by building an in-depth understanding of the requirements of the markets in which it operates.

According to the Company's Managing Director Tony Davidson, the acquisition by UAP of Kendal hased Provincial has proved a significant factor in the development of the business.

#### A Professional Reputation

Provincial had for many years been regarded as a key pleasing result; although we player in a number of are only a small part of the important markets, such as small commercial, building and turnover, we are an important construction, goods in transit, commercial property and liability, as well as the sacrificing our standards or traditional domestic general insurance field. Indeed, our service, as these are the two professionalism and reputation key factors which will sustain as a commercially astute our success in the long term." operator were well recognised characteristics of the Company. UAP Provincial's financial Joining together with UAP - performance in 1996 is detailed



UK with UAP's capability and understanding of larger risks. frequently operated st s multinational level.

But how well is this combination of streogths working? "Our financial results speak for themselves, says Davidson. Our performance across 1995 - our first full year as part of the UAP Group has produced an extremely UAP Group in terms of part in terms of profit. This has been ochieved without our commitment to customer A full breakdown of

the second largest insurance company in Europe - has proved to be an ideal match, as can now combine our experience and expertise in the

in the Companies and Markets section of today's Financial Times. The Company formally

changed its name on 1st January this year, sdding the UAP prefix to its titls. How significant does Davidson ssa this development, and does it underline the Company's ambition to develop its product portfolio? I firmly believs that intermediaries, customers and smployees alike are comfortable with the change," says Davidson.

rainforces ths complementary strengths of the two companies' reputations, ensures positive recognition for us ns we grow for the future."

Capacity and Expertise

> Typical of this growth to which Davidson refers is the sstablishment of Paneurorisk. UAP Provincial's facility for insuring large national and multi-national risks, not only in the UK hut also on a global basis. "Paneurorisk is London operation," comments presence in this important msrket." This additional



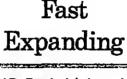
year of the former UAP UK driven in the UK hy our branch with UAP Provincial's own London office. "We have Davidson, "but we're now able created a centre of excellence to offer this facility through which is now capable of our offices in Birmingham, bandling risks of all sizes," says Manchester and Glasgow - Davidson. Furthermore we are giving us a truly national now sble to offer capacity and expertise formerly unavailable to the Company."

dimension has been given a Asked for his views on the boost hy the integration last future prospects of the Company,

Davidson is confident that of the leading insurance UAP Provincial can maintain companies to embrace the its successful performance advantages of IT in the last record. "We are well placed to decade." asserts Davidson. maintain our development. "Our investment in EDIdespite the softer market electronic data interchange conditions we face in the has paid off; over 60% of our current downward swing of the new private motor husiness is UK insurance market. We now transacted in this way, and understand the sectors in 1 bave no doubt that which we operate, and we bave an increasingly significant also heen active in developing proportion of all our activity our distribution strategy to will move in this direction in ensure that we are sble to the coming years." provide insurance solutions to broader hase of clients." believes that UAP Provincial Whilst accepting that the will continue to build its Company can't buck the trend reputation of heing able to as far as the underwriting cycle handle a brond range of is concerned, Davidson helieves insurance requirements for an UAP Provincial can perform expanding portfolio of clients.

In summary, Davidson discernibly hetter than the "Our current advertising campaign says it all." concludes Dsvidson. "From the smallest to the largest risk, we are now in an ideal position to meet and exceed the expectations of our intermediaries and customers alike."

> If you would like to receive a copy of UAP Provincial's corporate 01539 794199.



competition and his goal is to

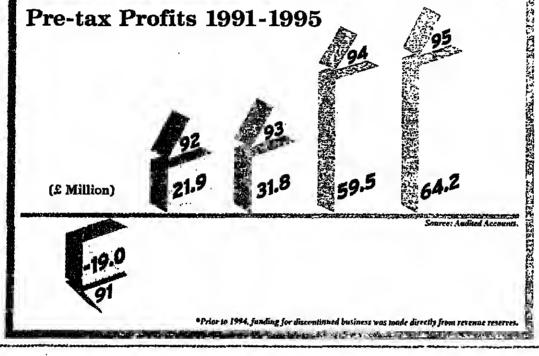
do just thnt.

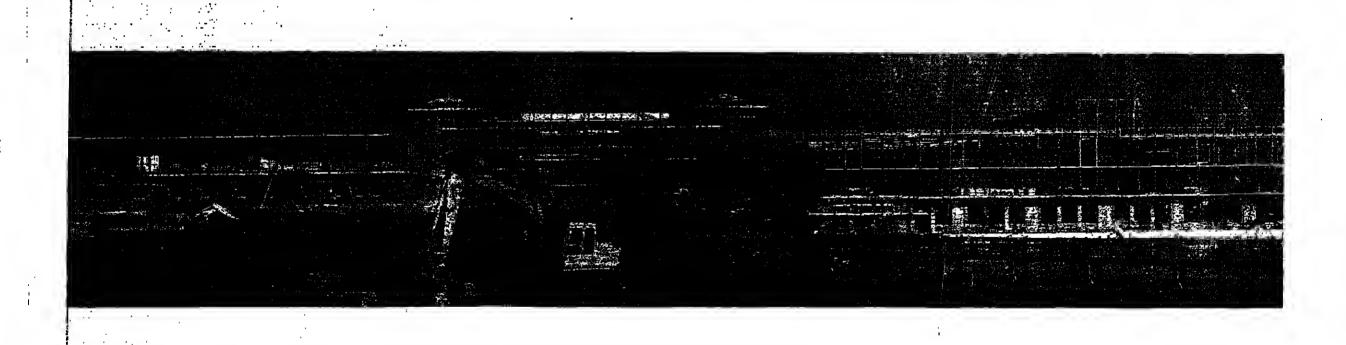
UAP Provincial is tackling the fast expanding personal direct sector through its brochure, then fax us on Prospero Direct operation, and the Company's Direct Sales Channel meets the needs of smaller commercial customers. "Healthy performances from all our distribution channels contribute to the overall success and viability of the business in a fast changing environment, comments Davidson.

Such change has been particularly ootable in a sector which had haen slow to evolve until only very recently. "UAP Provincial has been ooe



UAP Provincial Insurance plc. Stramongate, Kendal. Cumbria LA9 4BE







UAP PROVINCIAL

From the plant that helps lay the foundations to the buildings themselves, there is a company who can insure them both.

UAP Provincial. As part of Europe's second largest insurance group, we have the strength to handle a full range of risks,

from the smallest to the biggest. And you'll be dealing with experts who specialise in their particular field. Quite simply,

UAP Provincial is an insurance company in which you can have complete confidence. Confidence that you can build on.

Working together to create new horizon

# The outlook is far from positive

There is a gradual shift to a new distribution pattern as smaller insurers come under threat

As Europe moves towards its dream of a single currency, it remains evident that there is still little sign of a single market in insurance. Rather, the industry remains strongly local in its domestic retail markets while becoming Increasingly global in the more specialist wbolesale sector

Successive EU Directives have attempted to encourage competition but the fact is that national traditions - whether enforced by legislation or simply the result of prejudice continue to dominate buying patterns and are more likely to be changed by cost and tech-nology than by official ambitions in Brussels.

Globalisation of the market is best illustrated at the opposite end from the retail sector as big commercial customers shop around to place their risks. In specialist credit insurance, for example, the European market is dominated by a handful of companies.

The reinsurance giants which provide the backstop to the industry as a wbole have also been consolidating to secure their financial strength and increase their profitability through better identification of risk. These developments were driven by insurance logic, not by EU legislation; in fact. functions such as investment management and marketing to specialists Stephen Dias, insurance ana-

although Munich Re. the

world's biggest reinsurer, is

and Employers' Re and Gen-

the current developments in

the retail sector in Europe.

The main barrier was not reg-

ulation in itself," says Richard

Urwick, an analyst with Schro-

ders in London. "but distribu-

In that sense, be argues, the

EU campaign for deregulation

and increased competition was

irrelevant. But Urwick notes

that it has helped to encourage

innovation in the construction

and delivery of the product to

the retail market as insurance

companies concentrate on

what they can do - insurance

in the strictest sense - while

eral Re of the US.

lyst at Goldman Sachs, says that the key needs are distribution and the search for synergies in products and expenses.

From the retail consumer's point of view, the most obvious change is in the distribution system. The relationship between the insured and his insurance provider (whether underwriter, agent or broker) is moving from the personal or even face-to-face to the distant as direct retail selling by telephone, ploneered in the UK. has spread throughout Europe.

Although it accounts for only a small share of the market at the moment, the practice is slowly chipping away at the based in an EU country, its role of the brokers and agents. For example, even in the con-servative and under-insured main competitors are Swiss Re Italian market, where 80 per A similar logic lies behind cent of consumers say thay prefer face-to-face contact with their local agent, a recent survey by SAL the country's largest motor insurer, estimates that direct writing could take 10 per cent of the business by the year 2000.

Even Assicurazioni Generali the Trieste giant which dominates the industry, has moved into the direct business, recognising that the potential for growth will come from people who have not insured in the traditional manner and may be reached by telephone. Those who want to see a friendly face and discuss their viait their banks, bowever. Bancassurance, the cross-selling of banking and insurance products, has been the general European preference, partly because of the relative lack of actuarial information in comparison to the beavily penetrated markets such as those of

Switzerland and the UK (where good and bad drivers can respectively, he targeted and rejected) and also as a result of the prevalling herd instinct and the traditional European love of cross shareholdings. But the saving in costs can be impressive: Urwick of

The most spectacular example of bancassurance is ING of the Netherlands, formed in 1990 from Nationale Nederlanden, already a leading at home and ahroad with NMB Postbank, a bank with a strong presence in emerging markets and domes tic penetration through the post office network.

Schroder's estimates that a

bank network can cost only

one third of traditional distri-

ING bas been a remarkable success story building on its 25 per cent share of its traditional life business with greenfield operations in under-insured markets, in the EU, its operations in Spain and Greece are profitable while it Eastern European businesses In Huminsurer. Given that more than half of gary and the Czech Republic have also hit profits ahead of

bers of TCS, analysts at Gold-But the difficulties of bringman Sachs estimate that Baling togethar insurance and

ECU 0

Finla

Swede Belglur, Austri, Spair

banking cultures has meant that most alliances have been forged on a case by case basis which enable specialist partners to exploit their own skills.

Such deals may allow access to new markets for insurers which bave the technical expertise but lack the hrand name and distribution networks. In January. Commercial Union, a British composite insurer, and Assurances Générales de France (AGF) decided to set up a joint venture with Société Générale, a French bank, to sell non-life policies.

The three companies already have small cross-shareholdings and intend to sell motor and domestic policies from next year. The bank will contribute its branches and 60 per cent of the joint venture while the two insurers will each take 20 per cent of the new operation.

The business follows another venture between Credit Lyonnais and Germany's Allianz and will add to AGF's market penetration through an agree ment in 1995 to sell life policies through the French post office network.

The search for distribution is not limited to bancassurance. In Switzerland, for example, Baloise has concluded an agreement with TCS, the country's automobile association. under which TCS will be an exclusive intermediary for the

the Swiss population are memoise could lift its share of the



Rome: In Italy, the role of the agents was highlighted by events coinciding with the privativation of the INA uses

Lloyd Adriatico to Allianz.

through the sale of Elvia and

motor market from its current 9 per cent to 12 or even 13 per

Insurers have also moved to expand through acquisition of each other.

There was a wave of takeover activity In the 1980s and early 1990s, says Dias's team at Goldman Sachs, which was temporarily slowed by general financial difficulties and operating conditions in non-life markets.

More recently the trend has heen reversed, they say, citing the examples of Winterthur's acquisition of DBV, Commercial Union's purchase of Vic-toire and Swiss Re's withdrawal from the market

However, some of these acquisitions may have been driven more by faith than strategic logic. According to Gold-

man Sachs, "If direct writing does work, some of these recent acquisitions may, with hindsight, seem expensive." Moreover, these cosy alliances do not always work. One of France's top insurers, AXA.

finally had to seek a divorce from Assicurazioni Generali (the two were linked through cross-sbareboldings) at the beginning of the year. These developments to

improve distribution direct lines and bancassurance are also starting to threaten tha traditional role of the agency. structure in the continental countries. In France, for example, these general agents (professionals in the same sense as lawyers and accountants) will soon be allowed - and effectively forced by the pressures from direct writing and bancassurance - to become limitedcompanies with the ability to protect their personal assets and to look for capital from outside investors.

In Italy, the role of the." agents was highlighted by a number of events coinciding with or caused by the privatisation of the Istituto Nazionale delle Assicurazioni (INA). Charges of malpractice levelled at certain agents and the alliance with the Banca di Roma

to provide a new distribution network provoked opposition from the self-employed profes-sional group which had exerted a stranglehold on INA's pre-

mium income. While agents will continue to deliver a substantial portion of business to the insurers for the immediate future, many expect that there will be a gradual cultural shift towards the new distribution ontlets, "It will happen," says Urwick, "but not

in the short term." But perhaps the biggest threat lies to the insurers themselves and, in particular, the second-tier participants who lack the financial strength to support their traditional business through investment in information technology and to deliver that professional strength to their new partners. The signs are not hopeful.

C

H

111

1)4

CH

to

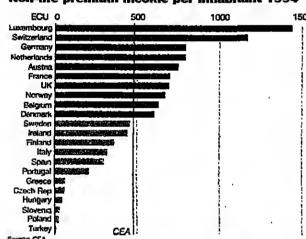
SO

app

According to Kleinwort Benson'a 10-year Pan-European index of insurance stocks, the industry managed to combine a record 1995 - good underwriting ratios and a relative lack of capacity - with a flat stock market performance and the outlook for 1996 is far from pos-

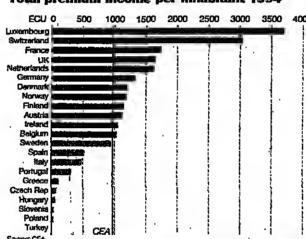
Rates are under pressure in most countries. France is a notable but peculiar exception and the Netherlands is roughly stable but, elsewhere, the prospects are bleak with particular problems facing the formerly tightly regulated market in

Non-life premium income per Inhabitant 1994



Total premium income per inhabitant 1994

schedule.



Hungary Potand Stoventa Turkey

CEA

Life premium income per inhabitant 1994

#### ■ The single market: by Trevor Petch Distant and elusive prospect

Marketing of large risks across borders in Europe is still not seen as a very attractive option

1992 is coming but we don't know when," a German insurer once observed. Although the single European market in insurance came into full effect on July 1 1994 - including the countries of the European Free Trade Area as well as the 12 European Union members – a European market without singularities is still many years away, and well beyond the introduction of a

single European currency. There are a number of ohvious reasons why. The cultural differences between European countries go deeper than language. There are important differences in taxation regimes, in bealth care and social security systems and in legal practice, and all these affect insurers indirectly as much as the differences in insurance tradition

affect them directly. In some countries, such as Britain, insurers pay a levy to a fund to reimburse policyholders with failed companies. In others, such as Germany, such a fund is opposed as encouraging reckless business behaviour.

There are also significant dif-ferences in insurance contract law. In 1976, the EC first began to draft a directive introducing harmonisation in this area, hut after 15 years of wrangling, the Commission gave up the attempt, much to the regret of the European insurers associabon, the Comité Européen des Assurances (CEA). Harmonised insurance accounting regulations finally came into force for accounts published this year, although with a number of alternatives and delay

For all these reasons, marketing of products such as life or motor and bousehold insurance - the so-called mass risks - cross-border does not look a very attractive proposition. Because local customers still require local service, far more use is being made of the "singla passport", the ability to establish an operation in another member state by simple notification, with the responsibility for aupervision remaining that of the insurer's

home country.

industrial and commercial customers, was already much more international. But even in this area the complexities arising from legal differences make the drafting of a true European insurance contract. on a freedom of services basis impossible, according to Mr Francis Lohéac, president of

the CEA. Introduction of the single European currency will only make a marginal difference. For many insurers, the initial impact will be the incurring of transition costs, with benefits in productivity only accruing slowly thereafter, the CEA concludes. The Association of British

Insurers (ABI) is of the same view, pointing out that Lloyd's and the London reinsurance market receiva little business direct from Europe, and conduct much of that in dollars. reducing potential benefits from reduced transaction costs. European reinsurers take a

more positive view. "We are all in favour of the common currency, as soon as possible," says Mr Jacques Blondeau. president of the blg French reinsurer SCOR, emphasising that anything which makes administration simpler is an advantage.

The single market may not be homogenous, but that does

not mean that it bas not already had profound effects. These have affected in particu-lar those countries which have traditionally exercised strict control of insurance policy conditions and prices rather than relying on the UK style of financial supervision adopted hy the EU. For these countries, such as Germany and Switzerland, the single market has been "a veritable revolution". according to Mr Lohéac. In German industrial insur-

ance, a number of elements contributed to development of a market very different from those of its main industrial competitors. The shareholding structure has required German insurers to produce levels of profit lower than those in the UK or the US, while - explicitly or not - they could subsidise losses incurred on relalively cheap insurance for big commercial clients with the ampla profits from motor insurance, where rigid price so-called "KoKos". These comcontrol was imposed from the

tomers did not face the same The market in large risks, pressure as in most of the rest one large chemical works, or a the insurance needs of leading of the industrialised world to chain of 1,000 small ironmon-

As a result, industrial cus-



search for more efficient ways to manage their risks. By the early 1990s, most big corporations elsewhere retained a substantial slice of their property risk themselves as a deductible, and insured a further large element with a captive insurer they owned them-selves. Risk retentions of a few thousand D-Marks - barely enough to cover severe damage to the boardroom table - are still not uncommon.

Over the past 18 months, this structure bas begun to be swept away. From October 1 1994, industrial giant Siemens placed its insurance ontside Germany for the first time, using international insurers signed up by brokers Grad-mann & Holler-Marsb & McLennan. Although this was the best-publicised devalopment of this kind, it has by no means been the only one.

In mid-1995, market leader Allianz announced that it would abandon the industrial insurance tariff system operated by the German property insurers association (VdS), and henceforth would make its

own evaluation of major risks. Other leading insurers of industry such as Gerling and Colonia Nordstern soon followed suit, effectively sounding the death-knell for another element of the aystem, the mittees of insurers and reinsurers set the insurance terms for all risks valued in excess of DM1hn (£675m) which might be one large chemical works, or a

The KoKo system offered shelter to a large number of medium-sized insurers without the technical capability to assess large risks themselves, but which were guaranteed a share of the business under the expertise of the leading companies. The future of these "me too" insurers now looks uncer-

In personal lines, German insurers must now respond to the challenge of creating new products, which their newly-establishing foreign competitors are often more experienced in developing. At the same time, they face a transformation of their traditional money-spinning motor business. As well as facing competition from new telephone sales insurers. German insurers themselves have embarked on a price war. offering substantial discounts to supposed good risks on a basis which many observers doubt bas been properly thought out.

Results for the past two years have been good, with collective profit of more than DM3.25bn on motor damage husiness, hnt that did not make np the DM6bn in losses over the previous four years as theft-for-export to eastern Europe took off. New policies based on car model rather than engine size are expected to be introduced hy many insurers by 1997 and, whatever the impact, it is clear that it will in future be impossible to subsidise commercial clients with

motor profits.

A similar challenge faces the Swiss motor market, deregulated from January 1. There, too, a discount war is in prog-ress, sharpened by an impend-ing bead-to-bead contest between the market leaders, Winterthur (with about 25 per cent) and Zürich (with about 22 per cent), in the telephone sales market.

Zürich's Züritel operation is already a focus for expansion in Germany, where Winterthur operates Delfin. Although Zuritel has been in business in Switzerland for 18 months while Wintertbur only announced the establishment of Swissline in January, the latter can draw on Winterthur's previous international experience, including Churchill Insurance in the UK.

Trevor Petch is editor of the Finnncial Times newsletters World Insurance Report and East Europenn Insurance



The French distribution system: by Andrew Jack

VII

IARCH 27 1996

insurers stress trance of long tent with insureds the l Londoo marke also need to put a supplies on marks ordiding client rela - notwithstandin uing reliance on h

new investment b n overseas, notable where the physics of island life had i the growth tensive insurant . The emphasic

Wolvement has be Some of the lange agencies, runny, aired by compan island: Brockbank : Octavian by Tes iton by Trident he o a large extent resent a vote of re Llovo's But the at the 300-yeard he underwriters to s - realise they ca the trends allent London market ve which reflects is clients to be. capitalised parts

ibility, its synder ing fewer in name

capital annu · tradition . ## 17 the flenia . Switch better out loathed h account of the suche: it meet − :÷!:::±160 - 778 - 770的数数 cay sen. Llayer if the Londa ared by of nautral mag cost of the bu . :: ur szod U of scale ाक्तामुक्त कि इ rain crading ava"s, Littas · of Londa evieseBux na transica

as often been on ne i's the increased b

yd's is toplacing; dividual (vames o capital, trading

r. And by buye agencies, the on stors are create insurance gree under Liose out akin to come tot. In that cape ATT OF Are jugar y Lloyd's system

1075 i course e -21ali0017 recy play ebouls:

> 22 01 10061 2

0. 200

-rd 4-5

ree I 1122

:1

1.5

15

17.5

100

× 5.

Structural reforms continue The growth of direct sales inspired by the pioneering experience of ten than not us the Direct Line in the UK – is one of the

most striking aspects Assurances Générales de France, the state-owned French insurer which is one of the country's largest, owns an impressive husiness which offers the sale and manage ment of motor insurance contracts by telephone.

There is just one problem. The operation is not based in France at all, but is a subsidiary of its Spanish business. Like a number of its rivals, AGF has showed an ability to innovate in foreign markets which is not always matched by a willingness to implement them domestically.

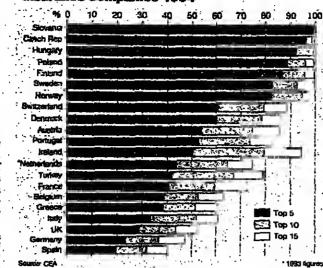
The growth of direct sales - inspired by both the ploneering experience of Direct Line in the UK, and by a number of telephone banking and phone shopping services in France is one of the most striking aspects of the changing structure of the distribution of French insurance in the past

Most of the country's largest insurers use the technique to some extent. Yet they all prefer to keep a low profile on the subject, held back by both philosophical concerns about how effective the direct marketing approach will prove, and by tensions with their existing forms of distribution.

Even Caisse Nationale de Prevoyance, the state-owned group which is the largest life assurer in France with 17 per cent of the market, is looking at the idea, It said in March that it was studying the potential for direct marketing of its individual life contracts.

Such a move would be in sharp contrast to its existing commercialisation strategy. which is based instead on a series of accords with public sector partners; the Post Office, the Caisse d'Epargne savings network, and the local offices of the French treasury. Yet at a time when the

Market share of non-life insurance companies 1994



General agents are a differ-

ent story. They sold 42 per cent

of the country's non-life poli-

cles and 14 per cent of life

assurance in the same year.

Yet the agents are also coming

under threat. A decade ago,

there were 22,600 of them

Now, the costs of keeping up to

date and the growing types of

competition for distribution

have put them under pressure.

Their market share of life

insurance has also been fall-

ing, from 18 per cent for life

The new

agreement

needs to be

and 47 per cent for non-life in

That is one reason why they

agreed, after successive previ-

ous attempts had failed, to

enter serious negotiations with

the French federation of insur-

ance companies last year. The

result was an outline accord in

February which represents the first significant shift in the

structure of the industry since

1949-1950, when legislation gov-

insurers was passed.

erning their relations with

The new agreement needs to

he approved during April by

both the insurance companies

and the agents in meetings of

all their members. Yet if it pro-

ceeds, it will provide considera-

approved

French government is considering a partial privatisation, this existing external structure is one which some analysts consider fragile and, they suggest, may reduca its worth when the eventual sell-off

takes place. Equally, the status of its insurance sales network is not static. CNP's contracts with its three partners have a limited duration and they guarantee it an ever-diminishing market share from each supplier. Last year, for example, the Post Office began to diversify by selling AGF's "Valorea" alongside CNP's existing policies.

More generally, one hrake on the move by the French groups into direct assurance is the country's almost unique system of "general agents". At last count in 1994, there were some 17.440 of them. All are self-employed, members of an dependent, liberal profession, and yet tied to a particular insurer in exchange for certain benefits and a geographical monopoly of its business.

Some claim that telephone sales have little chance of taking a large market share because France is a "Latin" country in which people prefer face-to-face contact when taking out insurance. While its potential is high, it currently accounts for a tiny proportion of the French insurance market; in 1994 just 4 per cent of life and 3 per cent of non-life

bly greater flexibility in relations between the two sides which could help the agents guard or even increase their market share in the coming

Another competitive pressure has come from financial institutions. Many of the leading French hanks bave launched thamselves heavily into life assurance sales, taking advantage of their widespread hranch networks to self policies. Some have operated in alliance with insurers, but others have done so alone. The branches of public and private institutions accounted for 54 per cent of life sales in 1994.

Now the banks are heginning to eye the non-life market with interest - in which they presently hold only 3 per cent of the market. Société Générale. Crédit Lyonnais and Credit Mutuel are among the institutions which plan considerable growth in this sector in the coming vears - at the expense of their insurance rivals.

Meanwhile, the French Post Office is also showing increasing evidence of exploiting its network of 14,000 branches. It currently sells life assurance policies for CNP, and Valorea which was developed for it by AGF, it has an agreement with the French insurers not to sell non-life policies. Yet this informal accord comes to an end in 1996. Mr Jacques Lenormand. deputy managing director al the Post Office, recently denied that there was any current project to move into the nonlife market. But many suspect it will not be long after January I next year before the situ-

ation changes. One long-standing challenge in distribution for the private sector insurance groups has been France's strong network of mutual insurers. Such "companies without intermediaries" made up 23 per cent of non-life sales in 1994, the most recently published figures.

Traditionally, they have specialised in serving specific groups - such as civil servants - and have been able to offer low rates and receive low claims because of their detailed knowledge of their clients. Now they are diversifying more and more. This risks diluting their knowledge base. but also provides a further new challenge for quoted insurers.

European health care by Vannessa Young

# Private sector's role grows

**Providers** throughout Europe have begun to realise the importance of diversifying their offerings

As the cost of providing healthcare becomes prohibitive for governments across Europe, ways of shifting some of the burden from the public to the private sector have come under closer scrutiny.

Figures from the 25 member countries of the Comité Euro péen des Assurances (CEA). Paris, show a rising trend over number of years in health insurance business, even though growth raies slowed

somewhat in 1994. Benefits paid to policy holders increased by 8 per cent to 10 per cent across all countries, owing to longer life expectancy and the use of more costly technology and new medical operating tech-

The CEA is currently studying the costs incurred by all health insurance operators for all types of cover whether as a substitute or alternative to the state health system. It has concluded that while there has been a slowdown in premiums. "the role of private health insurance as a substitute for state provision is confirmed, despite economic difficulties and a worsening social envi-

Cover for medical expenses (PMI) reoresents by far the largest sector of the private health insurance market in the UK. Health care analysts. Laing & Buisson, estimate premium income from such husiness was £1.65hn in 1994, up 7 per cent on 1993. The subscriber base, which had stagnated in the early 1990s also began to show some growth again, It said, but future expansion would be dependent upon a number of factors including product innovation and new methods of distribution. General insurance brokers and independent financial intermediarles held significant potential as did the development of

direct sales, the report stated. The announcement that Guardian Direct, the direct

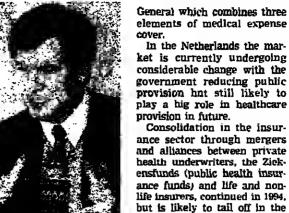


shofer: warned of increase

sales arm of composite insurer, Guardian Royal Exchange, and the first to launch an operation selling bealth cover by telephone in the UK, had outperformed financial targets set for 1995 and had policyholder rctention rates exceeding 85 per cent, would seem to support this forecast.

UK health underwriters will need, however, lo diversify their product range, developing more flexible coverages in order to meet changing lifestyles and needs. The health strategy unit of London-based Mercantile and General Reinsurance says that it expects to see a greater "bundling" of products in future, with some blurring of distinctions between covers.

Contracts are also likely to become longer term, as these are ultimately cheaper for insurers to administer and more portable for the policyholder. This is a trend reflected in the lifetime healthcare plan recently launched by Legal and



هكذامنالأحهل

bealth insurer, has recently relaunched its existing non-life and life products, and has developed new lines, including home income plans and pharmacy-by-post, specifically suited for direct market sales channels. This has been carried out in conjunction with fellow domestic insurer AVCB Insurance Group, with which it merged in January 1995 to form Achmed

Consolidation in the insur-

next two to three years.

Co-operation is strengthening,

however, and the need for cost

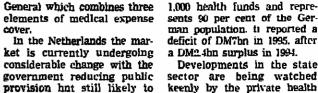
reductions and new products

has become increasingly

Zilveren Kruis, a private

important.

Plans to limit the cost of hospital care in Germany are currently the cause of a dispute between the federal government and the lander (eastern states). Health minister Horst Seehofer has warned that an increase in contributions to the statutory public health system, Gesetzliche Krankenversicherung (GKV) hy one percentage point to 14.4 per cent of earnings may become necessary if agreement is not reached. The GKV, consists of more than



sector are being watched keenly by the private bealth insurers which are represented by the Verband Private Krankenversicherung (PKV Verband). The 54 member companies reported premium income up 10.9 per cent to DM28.5hn in 1994, while total losses ran to DM19.7hn, up 6.2 per cent. The PKV also recognises the

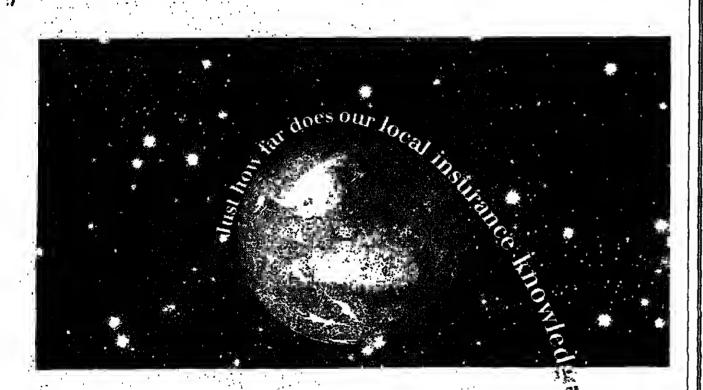
need for cost control, which has prompted a move by mar ket leader Deutsche Krankenversicherung AG. Cologne. to call for the establishment of bealth maintenance organisations (HMOs) along similar lines to those already operating in the US. These would be in addition to the classic PKV cover, but would involve the PKV members acting as risk carriers.

The German government has been approached to consider a large scale trial of such a system, but has yet lo agree.

in France, more than 80 per cent of households henefil from some form of private cover supplementary to the state health system. Compention between the private health insurers, health insurance funds and the mutuals with and without intermediaries has heen intense. Sales are currently dominated by the so-called Mutuelles 45, which receive fiscal benefits denied to their competitors. This bas prompted the Federation Francalse des Societes d'Assurances, to file two complaints with the European Commission. These are intended to end the distortion of competition resulting from tax exemption and the favourable fiscal tax system of direct taxation and registration benefiting the mutual institutes (governed by the Code de la Mutualités and the provident institutes.

Currently health and supple mentary accident contracts taken out with insurance companies by mon-agricultural! workers and the liberal professions are taxed at 7 per cent, whereas the mutual and provident institutions are tax exempt.

Vonnessa Young, Financial Times World Insurance Report



The answer? Around the globe.

We're ExcelNet, the brainchild of six world class insurance organisations. Launched in September 1995, we're offering a much greater commitment to quality and a total dedication to quality andil.

We are also developing a unique risk management information system. it's perhaps the most advanced intelligence network of its kind. delivering fast, accurate, relevant information worldwide. Allowing you to make quicker, better informed decisions wherever your marketplace.

We operate through more than 240 offices in 70 countries and clearly we offer the best of both worlds: global strength and unrivalled local knowledge.

in short, only one network is altogether better equipped to meet your needs. Ours. To find out more about the reasons why, please call our Network Manager, Alan Routledge, in London on 0171 680 4000.





Cordia Boeis & Bégautt CECAR



and the contract of the second of the second

Incheape Insurance



### CESKÁ POJISTOVNA a.s. and the Czech Insurance Market

1. The Insurance Market in the Czech Republic

The insurance Market in the Czech Republic began to be formed in connection with the social, economic and structural changes after 1989. The legislative basis was constituted by the Law on Insurance no. 185/1991 as amended by the Law no. 320/1993. Only those companies which meet the conditions required by the law and obtain the authorisation form the state insurance supervisory body - the Ministry of Finance of the Czech

Republic - may work and operate in insurance. At present there are 35 entities operating in insurance in the Czech Republic.

The size of the insurance market in the Czech Republic is given by economic parameters. The insurance contracts concluded for both personal and commercial policies amount to a total of more than 30 bn CZK (Czech korunas - 1GBP= 42 CZK), which represents about 2.5 per cent of GDP. The annual increase of premium fluctuates around 20 per cent. The biggest portion includes the insurance of commercial risks (about 34 per cent), lollowed by life insurance (about 25 per cent), MTPL insurance represents 12 per cent, household insurance about 3 per cent, insurance of buildings. 1.6 per cent and motor vehicle hull slightly over 3 per cent. The number of long-term policies has reached about 12m.

The insurance market has been developing very dynamically during the past lew years (especially in non-life insurance related to the shaping and expansion of the private business sector activities). Gradually it is transforming itself into insurance activities more typical for a market economy. On 1 January 1994, the Czech Association of Insurers was lounded; it groups twenty seven insurance companies operating in the Czech Republic, It is an association of Insurers whose aim is to promote the interests of the clients, insurers and reinsurers.

Ceska Pojistovna a.s., (Joint-Stock Company) in the insurance Market in the Czech Republic Ceska pojistovna a.s., transformed in May 1992 from the state company to the joint-stock company, employs a stati of almost 9000 persons and

manages s portfolio of 11 million policies. Around 2m claims sra settled by Ceska polistovna a.s. annually. At the end of 1995, the company's common stock amounted to 2.2 bn CZK. Ceska pojistovna a.s. plays an important role in the insurance market in the Czech Republic due to:

largest market shars (70 per cent) and largest number of products offered; extensive network of organisations units: 25 branches for personal insurance, 7 industrial and commercial risk branches and 5 agricultural

insurance branches. Ceska polistovna a.s. has 190 agencies on the Czech Republic lemitory; ex lege exclusive provision of services in the sphere of mandatory liability insurance - for example the MTPL

ability to solve sven very complex problems - Ceska pojist'ovna a.s. as the parent company, together with its subsidiaries, integrated into the financial group called CESKA POJISTOVNA GROUP, provides complex insurance and financial services in the Czech Republic;

wide network of co-operation with the world's largest insurance and reinsurance companies.

3. Shareholders of Ceska pojistovna a.s. As at the end at February 1996 the principal shareholders are:

Ceska Pojistovna Group

113 04 PRAHA 1

PHONE: + 422 2405 1111 FAX: +422 2424 1072

National Property Fund \*) Prvnl privatizacni lond a.s. 15.38 Ceskoslovenska obchodni banka a.s. 10.77

Komerchi banka a.s. Individual shareholders Investioni a postovni banka a.s. ') to be sold within 2 or 3 years

PRAGOBANKA a.s.

CAPITAL INVESTMENT COMPANY a.s.

Ceska pojistovns a.s. is gradually building up the financial group, CESKA POJISTOVNA GROUP, which provides integrated services lo its clients. In addition to Ceska polistovna a.s., the parent company, CESKA POJISTOVNA GROUP consists of the following subsidiaries:

ALPHA BROKER a.a. PENSION FUND of CP a.s. CESKA POISTOVNA-SLOVENSKO (Slovakia) a s. CESKA POJISTOVNA ZDRAVÍ a.s. The common stock of the whole group exceeds 4 bn CZK. Ceska polistovna a.s. is a shareholder in many companies and investment funds (besides the subsidiaries of CP GROUP). This makes its participation in the Czech capital market very significant. The shares of Ceska pojislovna a.s. itself belong to the best ones and for a long period they have been among those on the very top in the

5. Main activities of Ceska pojistovna a.s. and its economic characteristics

Ceska pojistovna a.s. operates as an universal Insurer and offers both life and non-life insurance. Life insurance includes a wide range of insurance products including lifs and endowment, assurance, and pension insurance. It also offers group

Non-life insurance includes for example different forms of property insurance for individuals and legal entities, liability insurance for individuals and lecal entities, accident insurance, insurance of medical expenses for travels abroad, motor car insurance, MTPL as well as the insurance of industrial and entrepreneurial risks, agricultural insurance and international business risks insurance.

The reinsurance also constitutes an important part of the Ceska pojistovna a.s. activities The number of policies, the composition of the premium Incoma and that of the claims settled in 1995 are shown in the following table:

	non-life insurance	fite insurance	
Number of policies (thousands)	5 220	5 447	
Premium revenues (CZK million)	16 950	6 538	
Corporate Headquarters: ČESKÁ POJIŠŤOVNA a.s. SPÁLENÁ 16			



36.92

7.69

# Significant opportunities possible

The chances are that pressure for deregulation will prove irreversible

Even in Japan, ganeral insurers are not exempt from pressure to break down barriers and liberalise markets. A naw insurance law effective from April 1 in the world's second-biggest non-life insurance market could lead to marked changes in the buying patterns of commercial and personal consumers.

If the momentum were maintained, significant opportunities to expand in a market dominated overwhelmingly by local insurers could follow for foreigners willing to take on local companies wedded to regimented and restrictive prac-

For now, reform - prompted largely hy international trade talks on opening Asian financial services markets - is taking place gradually. As yet, there are no plans to abandon the system hy which premium rates and policy wordings are tightly controlled by dominant local insurance companies.

The US in particular is irked by plans to open up Jspan's market for accident, sickness and nursing care insur-ance - where New York-based insurer America International Group has secured a substantial presence - before full liberalisation of the main life and non-life markets.

But the chances are that pressure for deregulation will prove irreversible. "April is going to be about small changes. But the driving forces behind that are very powerful," says Mr Ryo Tokuda, project manager at The Boston Consulting Group in Tokyo.

Most significant in the short term is likely to be a series of moves, permitted under the new insurance law, by non-life insurers into the life sector and vice versa. The biggest beneficiaries are likely to be the general insurers, able to tap a Japanese life market that offers the prospect of steady growth with relatively little investment in new skills or distributlon systems. Life insurers may also seek opportunities to cross-sell non-life products. Nobody expects a wave of

though larger than their nonlife counterparts, have been weakened financially by tha pricking of Japan's asset hubble; the Japanese are not enamoured by mergers predicated oo seeking economies of scale through massive job cuts. Instead, the effect of allowing life and non-life insurance markets to converge will be to increasa the jostling between Japanese insurers intent on grabbing market share.

Adding to the competition will be the go-ahead - under the new insurance law - to the establishment of broking companies which, unlike existing insurance company agents. could act strictly on the insurance buyers' behalf, choosing and arranging cover that meets

Again. upheaval is likely to he modest in early stages. Large internstional brokers such as UK-based Sedgwick already operete in Japan as agents for the insurance companies, selling policies to foreign companies in Japan -large Japanese corporations rely largely on in-house agents to buy insurance. Until there is greater freedom to sell insurance policies with wordings and prices tailored to buyers requirements, there may be little incentive to convert, in legal form, into brokers.

But, crucially, the introduction of brokers may have an educational effect, alerting insurance huvers to the costsaving opportunities offered by rlsk management techniques and insurance products developed around the world. That should eventually mean brokers acting, as elsewhere in the world, as independent financial advisers.

Consumer awareness will be enhanced further by the relaxation of some restrictions on premium rate pricing. Japanese regulations previously allowed freedom in marine. aviation and some professional liability sectors, providing cover against the risks which businesses face. But from April there will be more scope for cutting the expense component - as opposed to the risk premium - of fire policies and those covering the largest commercial risks. That will give a boost to the more cost efficient insurance providers.



#### Providing essential information and objective analysis for the global financial industry

With the increasing complexities and competition within the insurance market it is more crucial than ever before that you stay aware of the core developments shaping the global insurance industry.

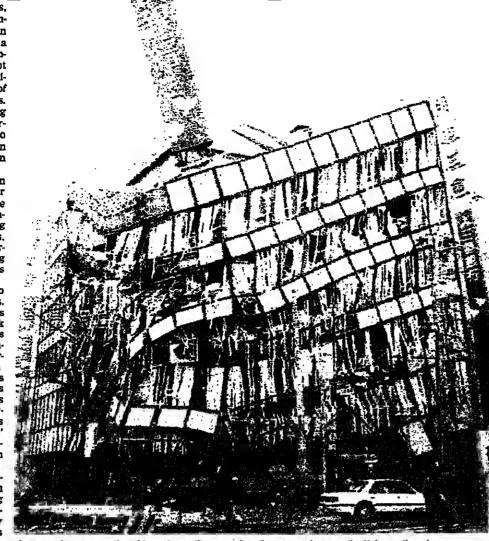
Benefit from the unmatched analysis of key industry events within the following reports.

For further information on any of these titles, please tick the relevant boxes:				
The Top 20 UK Insurance Companies				
The Top 20 European Insurance Companies	ā			
The Top 20 Global Insurance Companies	П			
A Strategic Analysis of UK Insurance Markets	ñ			
Captive Insurance	ñ			
Direct Insurance in Europe				
European Healthcare Insurance				
European Life Insurance				
The European Motor Insurance Market				
The German Insurance Industry				
The Global Insurance Market				
Insurance in the EU and Switzerland				
Insurance in Asia				
Insurance Opportunities in the UK Personal Debt Market				
The Marketing and Distribution of European Insurance				
New Opportunities in the Latin American Insurance Market				
The Future of Lloyd's and the Londoo Market	00000			
The US Noo-Life Insurance Market				
Accounting Harmonisation in Europe 1995				
German Accounting Explained				
International Guide m Interpreting Company Accounts				
European Tax Systems				
International Stock Exchange Listings	000000			
Buying and Selling Accountancy Services				
Strategic Financial Management	_			
Buying and Selling Legal Services				
BLOCK CAPITALS PLEASE				
Name: Mr Mrs.Ms				
Job Title Position				
Company Name				
Address				
\$\$\$\$\$\$\$-\$-\$-\$-\$-\$-\$-\$-\$-\$-\$-				
Postcode/Zipcode				
Telephone				
Fax				
Nature of Business	2235B			
Please return to Rachel Mason.				

FT Financial Publishing, Maple House,

149 Tottenham Court Road, London W1P 9LL, UK.

Tel: +44 (0) 171 896 2290 Fax: +44 (0) 171 896 2274



Breaking down a rigid pricing structure will take more than April's reforms, however. Japanese insurers benefit from an institutionalised system of

common underwriting pricing manuals which allow even the smallest insurer to make profits and, with little product differentiation permissible, virtu-ally guarantee economies of scale for the largest. Japanese insurers continued

to earn profits even after disasters as buge as the Great Hanshin-Awaii earthquake around Kobe in January 1995, which killed 5,500, injured 41,500 and destroyed or damaged nearly 400,000 houses. This was because earthquake coverage is expensively priced and insurers are careful to ensure plentiful reinsurance (protection against big losses). Total insurance claims paid for Kobe were only between Y120bn and

In other sectors, particularly personal lines such as motor insurance, insurers say that consumers are best served by a fixed price system which ensures universal coverage. "We don't want a situation as happened in the US where you can't bny suitable insurance." says Mr Kunihiko Fujii of Tokio Marine and Fire's corporate management department.

"Full liberalisation of insurance rates may not be beneficial to personal policybolders because they don't have enough information to compare policies. They can't understand which is better or which

in the commercial insurance sector, buying decisions often reflect non price factors - such as the mutual shareholdings and other links between Japanese insurers and their client companies throughout the country's economy.

Together with the dominance of the regulatory system by the insurance market's largest participants, such forces have combined to ensure foreign insurers account for only about 4 per cent of the Japanese non-life market. If the pressures which are

forcing deregulation across Japan's economy continue, the potential for outside insurance companies could be considerable. In personal lines, for example, the benefits of computer-aided underwriting skills have not been tested. Similarly, telephone sales techniques, such as pioneered in the UK by the Royal Bank of Scotland's Direct Line, have not been used and could offer further expense savings for personal lines.

Sucb potential opportunities to exploit the underlying weaknesses of native Japanese insurance companies explain wby Lloyd's of London bas been so keen to establish a Japan presence, winning new insurance law which recognise the 300-year-old London insurance market's unique structure. Lloyd's traditional expertise has been in innovative underwriting. Its underwriters also seek geographical spread and by, say, insuring the Japanese against earthquake damage, could help balance exposure to natural disas-

ters in the US. Behind the scenes among Japanese insurers there are mutterings about possible threats to Lloyd's existing role as a reinsurer of local companies if it begins to underwrite direct or conventional insurance business as well. Japanese insurers would not want a company that was challenging them in their main markets, the argument goes. The danger seems low, however given the relatively slow pace at which the Japanese insurance market may evolve. For Lloyd's, the risk of sbort term pain is worth taking given the longer term prospects.

■ The US: by Richard Waters in New York

# Difficult phase ahead

Catastrophe exposures have prompted a re-think in the boardrooms of some of the biggest companies in the industry

The restructuring of the US property-casualty insurance industry is about to enter a

Battered by hurricane and earthquake losses and weakened hy festering environmental and ashestos exposures, some of the country's biggest insurers have had to take radical steps to put their finances hack onto a sound footing. Now comes the hard part: finding a way to achieve stable and profitable growth again.

The overhaul which has been underwsy in the US insurance industry for the past two years has taken a number of different forms. Each, though, has been motivated by the same objectives: to recognise past liabilities, rebuild reserves and cut risks to levels that companies feel more comfortable with.

Tbis effort has been prompted in part by the country's two biggest insured nstural catastrophes. Hurricane Andrew, the 1992 storm which cost insurers \$16hn, was followed two years later by the Northridge earthquake, which caused insured losses of \$12bn. Catastrophe axposures on

sucb a large scale have prompted a re-think in the boardrooms of some of the biggest companies in the industry. Among them has been Sears, the retailer, which chose to spin off its Alistate insurance subsidiary as a separate company in 1994; and Prudential Insurance of America, which sold its reinsurance unit in 1995 and is seeking ways to cut the risks in its remaining property-casualty husiness.

Over the past year, meanwhile, a different sort of insurance risk has come to assume centre-stage: exposure to environmental and asbestos clean-up costs, much of it under old liability policies dating back decades.

sures has been known for some time, but like the banks which put off recognising their losses on Third World lending in the 1980s, US insurance companies have until recently preferred not to face up to the full enormity of their difficulties.

That changed last year as a handful of well-capitalised companies realised the competitiva advantage of boosting their reserves. By doing so, they set sent a message about: their relative strength - and implicitly put pressure on weaker companies that could

In this rush to huild reserves, some weaker companies have fallen by the way-side. Continental was sold to CNA Financisl, while Home Holdings' property-casualty business was assumed by Zurich Insurance

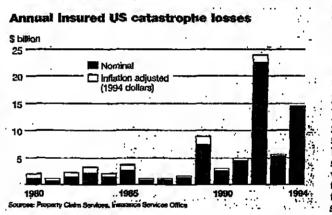
not follow suit.

Also, a number of industrial groups, which had bought insurance companies during the 1980s, decided the time had come to beat a retreat. Besides Sears, which spun off Alistate, these have included TTT, a conglomerate which earlier this. year broke itself into three separate companies, leaving its Hartford insurance subsidiary as a free-standing company: and Xerox, which agreed to seli its Talegen Insurance operations to a group of investors led by Kohlberg Kravis Robarts, the buy-out firm. Aetna also quit the propertycasualty business, selling its operations in this area to Travelers for \$4bn. Taken together, these moves

have done much to calm fears about the potentially crippling effects of environmental liabilities on the insurance industry, by bringing In new capital and shifting risks to companies that are better able to assume

At the same time, some estimates of how much it will take insurers to settle environmental and asbestos claims have been sharply scaled back. A M Best, the US insurance ratings company, recently cut lts estimates, putting the likely cost in present dollars at \$57bn. That compares with an estimate of \$260bn two years

The availability of better information and more experi-



ence from early settlements accounted for the reduction. Best said. Its estimate is now far closer to that of the rating agency Standard & Poor's, which puts the cost at \$40bn.

The recent spate of activity seems largely to have completed a first phase of consolidation in the US insurance industry. The question that remains is how quickly a second phase will follow .-

"The obvious [takeover] candidates have all gone. says Mr Alan Levin, a managing director at S&P. He adds, though, that "the economic justifications are still there" for mergers among insurers.

The problems that face US insurers closely parallel those of its banks. Which last year became embrofiled in a wave of mergers and takedvers of their own. The biggest of these is slow revenue growth.

"There are too many companies in the husiness - way too many still," says Mr. Sandy Pointing to other parts of the US financial services industry. he adds: "There has been s lot of consolidation among banks and broker-dealers. In tha insurance industry, it's just starting."

Mr Welll is among those who draws a direct parallel between the banking and insurance husinesses. By merging its property-casualty operations with those of Aetna, he says. Travelers alms to cut combined costs by 15 per cent - almost exactly the savings projected from the merger of Chase Manhattan and Chemical Banking, which announced last year. which

Alongside Mr Weill, a small group of active acquirers has emerged, including GE Capital and CNA Financial. However, as with the banking industry, it is one thing to make tha case for mergers, another to predict the pace at which consolida-

tion will proceed.

Many US insurers enjoyed strong earnings in 1995 and have seen their share prices surge to levels which have left few pargains for the acquirers, That is likely to reduce the pressure in the industry's boardrooms to take early action to deal with more deep-seated problems.

Whila costs - which eat up 26 per cent of revenues at the average insurer - have become the main focus, less attention has been paid to the more intractable problem of claims expenses. The industry's loss ratio, which jumped as high as 88 per cent in 1992 with Hurricane Andrew, continues to hover at more than 80 per cent.

"The real big, big opportunity is in the claims area." says Mr Weill. "If the courts become, more sane, which seems to be a direction that we're moving in in this country, that could be very good for the business long term," he savs.

**■ Emerging markets:** by Trevor Petch

# oors open for western groups

The easing of restrictions on entry have opened up vast opportunities in under-insured regions such as China, India and Russia

The next five years are likely to offer the insurance industry the greatest opportunity for expansion it is ever likely to receive. Three of the largest markets on the globe in population terms - China, India and Russis - are in the process of opening up to the outside

Each of the three will present unique challenges to international insurers trying to take sdvantage of their long-term growth potential.

Following the political and economic collapse of the Soviet Union, there bas been rapid growth in the number of new, private sector insurers. In Russia alone there are more than 2,500, most of them short of capital and expertise. But while the number of companies has mushroomed, insurance spending remains lower in real terms than it was under the monopoly system. One mainstay, compulsory agricultural insurance, was almost immediately abolished. The other, simple low-value life insurance which provided a means to save without providing an investment return, was destroyed by hyperinfistion. New products have arisen to take their place. Demand for

commercial property cover is

growing with privatisation and

foreign investment, and will be

further stimulated by tax

changes this year which make

property insurance a deduct-

Life insurance, too, appears

to have recovered, but most life insurance in Russia is taken out hy enterprises to cover their labour force for periods as short as a few days as a means of avoiding salary tax. The suthorities now intend to curb this practice by taxing life insurance st the same rete.
Political uncertainty and

such "Wild East" insurance products have discouraged all but the boldest western insurers from investing. German market lesder Allianz has a smali subsidiary in Moscow. and its medium-sized compatriot, Alte Leipziger, two joint ventures in Kaliningrad and St Petersburg. The only big for-eign investment so far, however, has been by the leading

US international insurer AIG. In life insurance, a bold joint venture involving Scottish Provident, Employers Re of the US, the Independent Trade Union of Russian Employees and European Bank for Reconstruction Development and venture capital was licensed by the Russian suthorines earlier this year.

Investors have also been discouraged by legislation restricting foreign investment in an insurance company to 49 per cent, itself prompted by Russian fears that its infant industry will be swamped by

western capital. China is a much bigger prize, and one where many insurers are prepared to make substantial commitments to secure a foundation to build on in the

future. First into the market was AIG, which had its origin in American Asiatic Underwriters, founded in Shanghai in 1919. After years of assiduous endeavour, in 1992 it received the first operating licence Tokyo Marine and Fire.

Despite the fact that the operations of both were restricted to the Shanghai area, AIG has been so successful in sales of life policies that it is widely predicted that in future, foreign life insurers will be restricted to joint ventures with Chinese partners. Canada's Manulife received a joint venture licence in Decem-

Shanghai is also the most active centre for the new Chinese joint stock insurers, which have been permitted to compete with the former monopoly PICC since 1988. Six insurers operate in the city. which plans to encourage more. However, official news-papers were last year already describing the market as "chaotic" due to inconsistent regulation and unscrupulous sales practices.

A new insurance law took effect on October 1 and in the same month Guangzhou was opened to foreign insurance operations. All coastal cities will follow by the end of the century, according to current

By the end of October, 77 insurers had set up 119 repre-sentative offices in China, with Beijing and Shenzen also popular locations. Others hope to develop operations based on groundwork done in Hongkong, where laading French insurer Axa, for example, sees great potential for the local subsidiary of the recently acquired National Mutual of Australia. The obstacles are, nonetheless, formidable. The initial conditions for a joint venture licence included assets of \$5bn and previous maintenance of a representative office for a period of three years. Candidates are also expected to

ously, property insurance bad granted to a foreign insurer in other ways. Manulife, for to be purchased out of taxed since the Chinese Revolution, income. and was followed in 1994 by and also contributed to a "help the poor" scheme.

For brokers, the obstacles are greater still. Only Sedgwick currently has a full llcence. Officials bave indicated that approval for these will be even slower than for insurers. "Brokers are difficult to manage because they have more independence," one commented recently.

In India, too, insurance is

politically sensitive. At present. the market is the monopoly of the state-owned Life Insurance Corporation of India (LIC) and the General Insurance Corporation of India (GIC) which reinsures the operations of four subsidiaries in Bombay, Calcutta, Delhi and Madras. In April 1993, the government appointed a committee

beaded hy formar Reserve Bank of India governor, R. N. Mahotra, to report on possible demonopolisation. In January 1994, it recommended that foreign insurers be permitted to establish joint ventures, provided that their shareholding was between 25 per cent and 40 per cent, and worth at least Rs1bn (£19m). Criticising the excessive con-

trol exercised by the GIC, the committee also proposed separating its subsidiaries into truly independent, competing com-panies, and suggested a reduction of the state's sbareholding in the GIC and LIC to 50 per cent, accompanied by a big increase in capital. Since then, however, prog-

ress has been slow, not least because of political controversy, including protest strikes by LIC employees. Although an interim insurance regulation full committee recommended by Mahotra, was eventually set up in January this year, further developments have been postponed at least until after this year's general election. Political uncertainty, high

investment requirements and other prohable restrictions - such as a prescribed amount of business to be done in rural areas, and limits on the shareholding of Indian sponsors - have not, however, deterred the signature of ontline agreements with potential partners, usually leading industrial conglomerates.

IF YOUR INSURANCE COMPANY HAS GONE BANKRUPT JUST WHEN YOU NEED YOUR LOSSES PAID, GIVE US A CALL.

QUANTUM CONSULTING INC. THE LEADING MARKET-MAKER IN DISTRESSED U.K. & U.S. INSURANCE COMPANY DEBT.

For more information, please call or write us at:

Quantum Consulting, Inc. The Insurance Building 150 Joralemon Street, suite 6B Brooklyn Heights, New York 11201-4309 Tel. (718) 802-9423 Fax (718) 802-9701

Joseph F. Scognamiglio, President

suthority, s forerunner to the

UK insurers have been particularly active, given thair experience of operating in India before nationalisation in 1971. At that time, Commercial Union. General Accident, Royal and Sun Alliance between them sold more than a quarter of all non-life policies in India. Trevor Petch is editor of the Financial Times newsletters

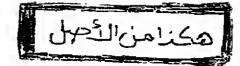
World Insurance Report and European Insurance Report

Stream of the second of the se

1 - Store 1 - Armen radioned for theme as the of a second radioned for the other radioned for the bag radioned for a second radioned

Manual Control of the Control of the

TI WELL TOO



# YOUR BIGGEST GLOBAL RISK MAY BE USING AN INSURER WITHOUT THE FINANCIAL STRENGTH AND INTEGRATED GLOBAL CAPABILITIES OF AIG.

Quite simply, if you're a global company, you face a variety of changing financial exposures. You need a financial partner that not only understands complex risks, but can also provide a variety of insurance and financial solutions. Not to mention the size, strength and stability to be there for the long term. Enter AIG – with unparalleled global capabilities backed by extraordinary financial strength.

What AIG offers is expertise not only in insurance, but also in managing and integrating total marketplace risk. By combining traditional insurance with sophisticated financial solutions, we create unique consolidated risk financing programs, including large-limit multiyear packages with flexible terms and limits.

And who better to meet your local needs than someone who's there? With offices in 130 countries and jurisdictions throughout the world, we have an unmatched knowledge of local conditions and regulations. These resources deepen our own on-the-ground financial structuring, engineering and claims capabilities.

To underscore that we can handle all your needs, we've even created a specialized division, AIG Global Risk. Only AIG could bring together this seamless unit to provide integrated risk management solutions. Access is just a call away.

And we back it all up with an impeccable balance sheet, Triple-A ratings, capital funds of nearly \$20 billion, and net loss reserves approaching \$20 billion.

So we'll be there whenever and wherever you need us. Because no one else can.

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES

American International Group, Inc., Dept. A. 70 Pine Street, New York, NY 10270



Risk management: the buyer's perspective

# Businesses establish their own captives

Industry is setting up its own arrangements for insuring against the risks it faces. Peter Lerwill explains why

An important change has taken place in the insurance of industrial risks over recent years. There has been an increase in the number of professional people evaluating their own company's risks and for this reason many businesses have started forming their own captive insurance companies where it is perceived there are risks that need to be transferred.

insurance was originally used for the transfer of risk by industry, and insurers looked for a widely spread portfolio on the basis that the premiums of the many would pay (hopefully) for the losses of the few Behind the growth in captives lies, at least in part, the perception, that those wishing to transfer the risk (industry) can in some cases enjoy a stronger financial standing is being transferred (insurers). The savings from the use of a captive are also a factor.

The greater concentrations of value which now exist in more confined spaces have also undermined to some extent the principle lying behind insurance that the losses of the few should be covered by the the premiums of the many. At the same time insurance companies appear to many of their customers to be applying much more rigidly than hitherto the fine print of policy wordings in relation to large losses

A loss of £250,000 does not really attract any attention, but a loss of £50m from the same cause is a totally different situation. Many companies with a strong balance sheet. therefore, are asking why not carry the risk themselves, as has been successfully done by several large companies. Luck bas played a strong

part in the successful self-funding of risks in many cases, however. If a big loss had occurred, immediately after arranging this self-insurance.



Lerwill: Industry is increasingly being forced to manage its own risks

the most transparent of all the insurance markets, a leading airline decided in December last year to accept a large deductible under their policy at renewal. Unfortunately, ore the month was out, they

had suffered an important loss. Insurance buyers have had to live, too, with the market's changed approach to terrorist cover and employers' liability exposure: two important changes that initially did not seem to be approached from a "customer care" or "need to know" viewpoint.

We are now hearing ominous rumbles, too, about polintion cover and its future availability. An initial remark by a reinsurer that might have been no more than kite-flying has now gathered such momentum that the industry may bave shot itself in the foot by voicing such loud concern. The surers' dream of being able to restrict cover may seem to have been fulfilled without any further action on their part.

Industry has, quite rightly, raised the subject, wishing to be involved in discussions with all parties at an early stage. A lesson has been learnt from hitter experience in the past when industry was only consulted after certain issues were already resolved.

The Association of Insurance and Risk Managers (Airmic), spokesman for the industry on risk management issues, bas, Insurance, which is probably in the insurance world and is

continually being asked for the industry's views on a wide range of issues. As a result it seems unlikely it will be

wrong-footed again.
A number of insurance brokers have also recently decided that because their earnings from brokerage commissions are diminishing - owing to reduced market rates - they must develop their own risk management expertise and sell this service to their clients, apart from negotiating fees with their clients as a basis for remuneration.

Yet the broking community still has much to learn. Two leading brokers have recently carried out a client survey asking bow they are perceived in this respect, only to find to their surprise, that industry did not rate their capability

Industry is being forced, therefore, to manage its own risks more and more because of the withdrawal of effective and efficient risk management tools. The creativity outside our own organisations to belp us manage our individual, complex industries, and the stability we so long for, is either not there or is still in

embryo form. There is a vast potential market searching for expertise in this field, but the insurance hrokers themselves are still

learning Peter Lerwill is general manman of the Association of ■ Risk management: pollution by Stuart Hyslop

# Environmental hazards grow

Insurers are warning that high costs and retrospective claims may force the removal of pollution cover from general policies

As many as 100,000 sites in England, covering 200,000 hectares of land, may be contami-nated as a result of industrial activity. And just who pays the millions it would cost to clean them up is a matter which is now taxing companies and their insurers, many of whom are questioning their ability to continue to provide cover.

Under the new UK Environment Act, innocent owners or occupiers of these sites are responsible for the costs of cleaning them up if the original polluters cannot be traced. Even when past polluters are found, the innocent occupier can still be liable, if those responsible are bankrupt.

Insurers and risk managers are following with some alarm a case in the US, where the Environmental Protection Agency is claiming the \$132m (£86m) cost of cleaning up a polluted site in the state of Louisiana 100 years after it was contaminated.

It has started proceedings against Fleming American Investment Trust, which was formerly known as the Alaoama, New Orleans and Pacific Railways Company, and operated a creosote factory for treating railway sleepers between 1882 and 1902.

European insurance companies, concerned that they will be used as a means of funding the clean-up of historic pollu-tion, bave already suggested that pollution cover could be removed from general policies, just as terrorism cover was removed in the wake of IRA bombings in London in the early 1990s.

The precise consequences of the 1995 Environment Act will not be known until some case law has been established, and the Department of the Environment is still working on a series of guidelines which It hopes to publish in July. These guidelines will include notes on the definition and identification of contaminated land and on the designation of "spe-

Another note deals



tion, have already suggested that pollution cover could be remov

ingly permitted, contamination on or under land, and who are liable for what is done to remedy that contamination.

But the introduction of the Environment Act, and the establishment of the new Environment Agency, has already caused many hig UK companies to re-examine their risk management strategies.

A survey last year among some of the country's leading companies found that environmental problems were regarded as the sixtb-biggest risk facing husinesses, behind such other hazards as fire and lost production.

The Environment Act is likely to change that view, as risk managers hecome involved at a very early stage in the acquisition of land.

No one will want to buy a site which they can neither huild on nor dispose of until they have paid a hefty sum for the land to be decontaminated - especially when their insur-

bave made no secret of the fact that they are getting very anxious about potential environmental claims and the move-ment towards tough ment environmental legislation at both national and European level," says Mr David Bull, chairman of the Association of

(Airmic). Insurance brokers Willis Corroon bave suggested that the most likely move is an absolute pollution exclusion to liability policies within the next year, and possibly from January 1 1997, resulting in companies facing substantially higher insurance hills to ohtain

Insurance and Risk Managers

The Association of British Insurers has said that "if there is any attempt to make liability retrospective, insurance companies will have to look very carefully at the cover they are providing." The ABI added, ominously, that the UK has a long industrial history which

contentious issue in the US. with the imposition of retrospective and joint and several

Airmic is sufficiently con-cerned at the possibility of the UK Environment Agency attempting to follow suit to have identified increased awareness of the threat posed hy pollution as its main goal for 1996. It believes that if insurers attempt to limit their pollution liabilities through a full exclusion, risk managers will be forced to the currently; limited and very expensive spe-cialist environmental liability

Airmic is concerned that there is no cut-off date for retroactive liability, and that companies who acted to the accepted standards of their time will still be made liable for cleaning up the pollution they caused. "The need to clean up pollution must be balanced with the requirement that those responsible pay for

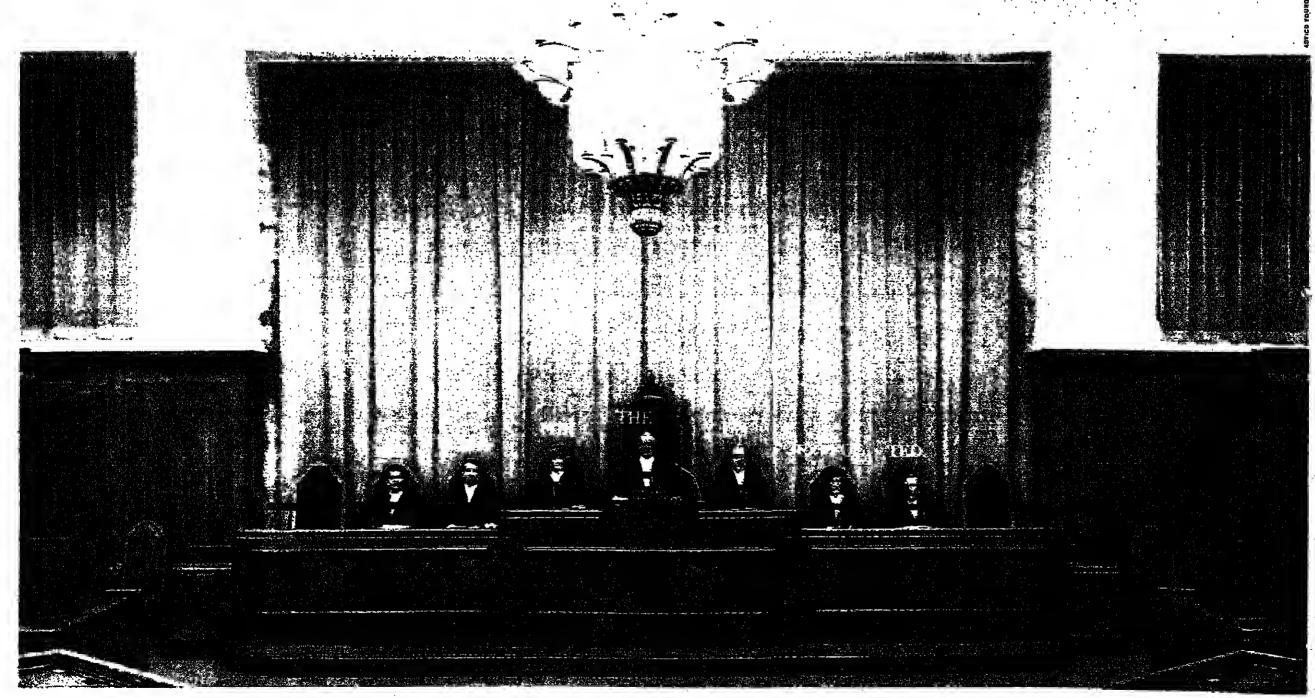
minimise the threat of pollution. But while the 'polluter pays' principle has always rigorously applied as is indi-cated now. Neither does liabliity cease with the transfer of ownership of the property."

In spite of the DoE's pronouncements that it would not be introduced into the UK, many of the legal and related professions do see the new legislation as the introduction for the first time of retroactive and loint and several liability.

"No one yet knows how the Environment Agency will implement its new powers and whether there will be a significant departure from current custom and practice. We are concerned that the US experience shows that legal requirements to clean up pollution create a welter of iltigation between responsible parties - including polluters and their insurers.

The only winners

Stuart Hyslop Editorial Ser



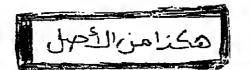
Once upon a time, a company had a clear-cut purpose and a simple set of responsibilities: produce, prosper, pay taxes. Over the years, however, corporate life has been getting tougher. A growing number of interests have to be reconciled. How can you satisfy consumers, shareholders, employees, the environment, the community and the state all at the same time? With the threats of liability law suits multiplying, traditional insurance thinking is

not the answer. Instead, reliable methods of risk analysis and risk engineering must be systematically applied. A lead-

likely to have the professionalism and strength to provide them to the same high standard worldwide. And the exing global insurer is more perience to show you results.



ANE sight



# POLAND

# The fight for the 'feel-good' factor

The new president must continue

economic reforms if he is to convince Poles that the bad times are over, say **Anthony Robinson** and Christopher Bobinski

oland is under new management. At the presidential elections in December Poles voted by a small majority to usher Mr Alexander Kwasniewski, a former communist, into the presidential palace.

Disillusioned by the feuding that split the fragile unity ofthe former Solidarity alliance, embarrassed by the gaffes and bluster of the incumbent, Mr Lech Walesa, and resentful of the conspiratorial cahal aurrounding him, Poles drew a line under the past and looked for new leadership from one of Poland'a most adept political operators.

unding the desirabil

not was removed alta

1 1 1 2 3 1 11 Pog §

10 To 17 18

2. v : 2:2

T: . . . . .

One of the 43-year-old Mr Kwasniewski's first acts as president was to visit western capitals. He started with Paris and Bonn, followed by a trip to EU and Nato headquarters in Brussels. Only three months later did he make an eastward sortie, visiting neighbouring Lithuania. He is due to go to Moscow next month.

Western nervousoess about the outcome of the Russian presidential elections in June highlights the importance of Poland as a politically stable and economically vibrant country of 38.5m people, anxious to play a constructive role in huilding 21st century

In an interview during his visit to Brussels the new president emphasised his enthusiasm for EU membership and the US-led nature of the Nato alliance. He also declared himself "very much in favour of the entry of the Baltic states

into European structures". Bnt Mr Kwasniewski accompanies support for developments that would bring Nato up to the Russian border with appeals

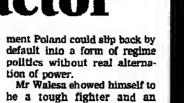
for sensitivity to Russian fears. Enlarging Nato to take in former Warsaw Pact states such as Poland would mark a qualitative change in the North Atlantic alliance, he says. But Moscow still has to be persuaded that an enlarged Nato would not be just a bigger and closer version of the old anti-Soviet alliance still aimed against Russia.

Yet the very idea of Mr Kwasniewski as the spokesman for Poland's vision of a future united Europe was so distasteful to the old guard in the presidential palace that their last days in office were spent concocting a "poison pill" designed to discredit the incoming president.

The outcome was a personal attack on the then prime minister. Mr Jozef Oleksy, who was accused of passing sensitive information to a senior KGB officer. Mr Oleksy denied the charges but in January was obliged to resign in order to defend himself.

A former senior minister, who is not a visceral anti-communist, suggests that the communist past will continue to dog Mr Kwasniewski and the carrent generation of politicians for decades. "The question is not whether Mr Kwasniewski has the ambition to become a real leader, hut whether he has moral strength, the courage to avoid cronylsm and the ability to rise above his communist party past," he says.

Other serious political observers worry whether the fragmented non-communist opposition parties will be able to overcome their personal rivalries and put together the sort of effective opposition required to preserve a genuine multi-party system. The danger is that without an organised opposition capable of forming an alternative govern-



tion of power.

inspired destroyer. But he has few of the skills required to

huild up a modern, democratic

party able to survive the long slog of opposition and capable

of working out a consistent

Instead, Mr Leszek Balcerow

tcz, the former finance minis-

ter and father of economic

reform, bas taken on the task

of trying to turn the Freedom

Union, the successor to Soli-

darity, into a free-enterprise,

Mr Balcerowicz, not a natu-

ral polittelan, ls facing an

uphill struggle trying to weld

logether a party that contains

many former ministers and

large egos, and harhours

political programme.

conservative party.

The new\_President Kwasniewski has a vision of a united Europe

Christian democratic wing of the party and the free market, liberal wing. The latter was absorbed when the Congress of Liheral Democrats (KLD) merged into the new party after the defeat of the former Solidarity parties in the September 1993 general elections. Throughout former commu-

have shown bow difficult it is for political amateurs to compete effectively against experi-

The younger generation of leaders are relatively untainted conversion to social democracy often reflects personal experience of the frustration medioc-



... Walesa: the destruction of Solidarity was his downfall

rity and stultifying nature of the unlamented Soviet system. in Poland, left wing forces regrouped under the banner of ne Democratte Left Alliance (SLD) and the leadership of pragmatic careerists and Kwasmewski and Mr Włodzimierz Cimoszewicz, the current prime minister

With its fiercely independent national traditions and powerful Catholic church. Poland was, however, to some ways better placed than most to cope with the adjustment to "normality" after the distortions and trauma of the totalitarian years. But it, too, faces a difficult and time-coosuming period of institution building

and administrative reform. The final judgment on the left wing partles now in power will hinge on their ability to continue the task of building up an independent judictary. creating a non-political, professional civil service, rincluding the security services), reforming the social security system and in general creating a modern, democratic state.

Oplnlon polls indicate that the left wing parties could be re-confirmed, possibly with an improved majority, at the next elections, probably around June 1997. Such a prospect is forcing the con-communist majority to seek new alliances. such as the recent link-up hetween the Solidarity trade union movement, led by Mr Marian Krzaklewskl, and the

right wing Movement for the Rebuilding of Poland (ROP) led by Mr Jan Olszewski, a former prime minister.

But after years of stress and uncertainty the main focus of attention for millions of Poles is oot politics but making money and building up their businesses and careers. The fourth year of strong economic growth bas led to the first signs of an economic "feetgood" factor.

Unemployment, while lower than last year, is still more tbao 14 per cent, and much higher in rural areas and many small towns. But the economic dynamism of a relatively large economy enjoying 5-7 per cent annual growth is palpable.

This year, growth in GDP is expected to slow from last year's figure in the region of 7 per cent to around 5.5 per cent. but any slack from slower growth in export demand is expected to be taken up by the start of a series of ambitious Infrastructure investments.

The pace of foreign investment is also speeding up after successful deht renegotiation in 1994, followed by investment grade credit rating from the international rating agencies. Geoeral Motors of the US and Daewoo of South Korea are among recent large investors. along with a growing number of German privately owned Mittelstand companies.

invesiors are attracted not only hy Poland's relatively low cost base and large intercal

 Economy and finance: the government's goals as it tries to build on new strengths

IN THIS SURVEY

 Consensus campaigner the prime minister wants to bridge the 'emotional gulf' between parties. He talks to Anthony Robinson

Sales and returns: how this year's big sell-offs will affect the stock market

liberalisation of the energy sector poses problems Page 5

Regional accent: a focus on the Industrial area, Silesia

Angio-British relations: we look at neweconomic ties between Poland and the UK

market but also by its rote as a supplier to private traders from the east. A recent World Baok study indicated that Poland earns \$6bn-\$7bn a year from so-called "cross-border trade" as Germans and Czechs cross the western borders to buy cheaper petrol and coosumer goods, and millions of small private traders from as for as the Crimea and Siberia cross the eastern borders to supply their own shops and markets back home.

Looking ahead, Mr Grzegorz Kolodko, the finance minister, calls for lower taxes and a tight rein on government spending to provide space for a mix of export and domestic investment led growth, investmeot is needed to tackle transport and potential energy bottlenecks, to ease the housing shortage and to lay the basis for possibly decades of steady economic growth similar to that eojoyed by Spain in the run up to EU membership.

For this to happen, however. international bankers argue that Poland oeeds cootinuing wage restraint and decisive government actioo in at least two key areas - reform of the social security and pension system and implementation of the plan to cut loss-making coal production. These decislons geed to be taken before the country moves into pretunity to make painful, but oecessary, structural changes disappears.



New Issue

**April 1996** 



## FORD CREDIT EUROPE plc

COMMERCIAL PAPER PROGRAMME

PLN 200.000.000

Co-arrangers

Capital Markets Centre of Bank Handlowy w Warszawie SA ABN AMRO Bank (Polska) S.A.

Capital Markets Centre of Bank Handlowy w Warszawie SA ABN AMRO Bank (Polska) S.A.

Agent & Custodian

Capital Markets Centre of Bank Handlowy w Warszawie SA



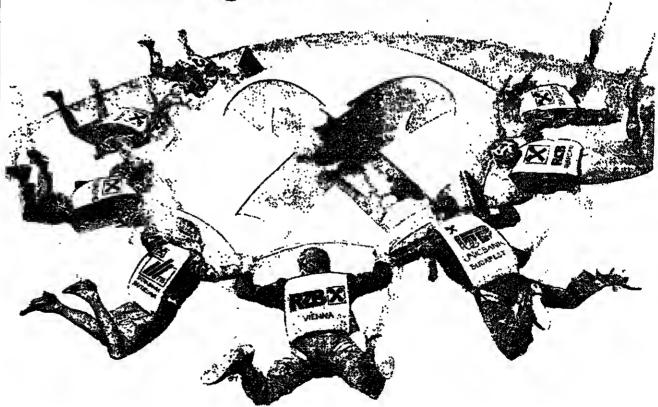
BANK HANDLOWY W WARSZAWIE SA ESTABLISHED 1870

ABN·AMRO Bank

CAPITAL MARKETS CENTRE

#### The best partner for Central and Eastern Europe used to be ONE Austrian Bank.

Now it's an Austrian-Hungarian-Slovak-Czech-Bulgarian-Polish-Croatian Bank.



#### We are there to serve you.

Please contact "International Corporate Desk" chank Rt., Budapest: + 361/2652018 Tetra banka, a.s., Bratislava: + 427/3062111 bank a.s., Prague: + 422/24231270 Reiffelsen Centrobank S.A., Warsaw: + 4822/6574600 Raiffeisenbank (Buigarla) A.D., Sofia: + 3592/860811 senbank Austria d.d., Zagreb: + 3851/4566466

Raiffelsen Zentralbank Oesterreich AG (RZB - Austria) + 431/71707-0 Corporate Banking: ext. 1462 Correspondent Banking: ext. 1380

Central and Eastern Europe Moscow: + 7503/2306078 Klev: + 38044/2961806 Bucharest: + 401/3111697 RZB London Branch

RZB Representative Offices in



Economy: by Anthony Robinson

# Stability rests on spending curbs

Tough fiscal policies are needed to complete the transformation begun this decade

The Polish economy entered the 1990s as the weakest in central Europe; it is heading for the new millennium with a good chance of emerging as the

This year's expected growth, at around 5.5 per cent of GDP, will probably be lower than that in 1995, when becoming foreign trade and investment produced 7 per cent growth, a \$9bn increase in foreign reserves and a further reduction in annualised inflation to just under 23 per cent. Inflation is due to fall again to around 17 per cent this year and a new round of investment in infrastructure is expected to get underway against the background of further bank restructuring, continuing privatisation and a stock market boom. Much of the credit for Polaod's re-found economic dynamism is due to the stabllisation package and market reform policies introduced by Mr Leszek Balcerowicz, the first post-communist finance minister. in January 1990, and by the tight monetary and fis- still state-owned sector of the of rewarding good manage-

bopes to raise \$1hn this year.

Polska Miedz – Europe's

higgest copper producer and

refiner. The ministry plans to

sell up to 20 per cent of its shares on the Warsaw Stock

Exchange and offer a further

10 to 15 per cent to foreigners

through a capital increase.

Employees will retain 15 per

cent. Polska Miedz is Poland's

most profitable company with

1995 net profit of 450m/500m

zlotys (351m zloty in 1994) on

revenues of 3.78bn zlotys

Tobacco: producers in Luh-

lin (ZTWL) and in Radom

Breweries: Tychy and

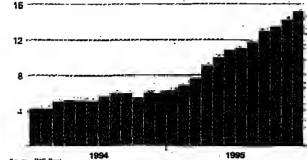
(2.6bn zlotys in 1994).

(Polski Tyton).

Its main sell-off targets are:

Official reserves excluding gold (\$ billion)

Foreign exchange reserves



cal policies followed by subsequent finance ministers.

But some of the groundwork was also laid during the bleak Polish state-owned enterprises were given wide-ranging managerial powers. This meant many were culturally prepared for the rigours of a market based system in a way denied, for example, to their Czech and Slovak counterparts. This helps explain how Poland, with a much slower pace of formal privatisation than the Czech Republic, and relatively low foreign Investment, bas a dynamic entrepreneurial sec-

Significantly, parts of the

This year's sell-off targets

iser plants such as Pulawy

near Lublin and Azoty near

Tarnow. The Kedzierzyn

Kozlechemical works and the

Janikosoda and Soda Matwy

Kruszwica, an edible oll

· Polar, the Wroclaw white

Dromex. a road builder

currently bidding for the

highway construction pro-

The Orbis hotel chain.

owned retailing chain com-

prising 31 city centre stores.

DT Centrum, the state-

The Iskra ball hearings

non-ferrous metals trader

impermetal, a steel and

soda factories.

and fats producer.

goods producer.

works in Kielce.

gramme.

The privatisation ministry • Chemical industry: fertil-

economy bave matched the productivity and efficiency gains of the private or privatised sectors. The Szczecin shipyards and the Polska Miedz copper mining and refining complex, for example, are incomparably better managed and more efficient than they were six years ago. They are among a list of top quality

year (see box below). A large worker and management buy-out element is involved in the Polish sell-off system, partly as a sop to appease the workers' councils that lose their power with privatisation and partly as a way

(1995 pet profit of 5m zlotys

PHS. the state-owned

· Ruch, the former monop-

oly newspaper distributor

(17,000 kiosks, 1994 net profit

of 13.3m zlotys on sales of

In addition the finance min-

• Up to 75 per cent of the

equity of Powszechny Bank

A 7.26 per cent stake in

Bank Slaski and a 25 per cent

stake in Wielkopolski Bank

looking for a strategic inves-

tor in Lot, the national air-

line, and plans to sell a minor-

The transport ministry is

Kredytowy (PBK), Warsaw.

215m gloty.)

istry will be selling:

Kredytowy (WBK).

ity stake.

on sales of 400m zlotys.)

state-owned companies heing

prepared for privatisation this

ment in the run-up to sales. Privatised former state trading companies, such as Rolimpex, the farm trading company, Elektrim, the electrical equipment and power station supplier. Stalexport, the metals trader, and Mostostal Zabrze have also become strong per-formers on the stock exchange. reflecting their role as cata-

lysts in the transformation of

Poland's industry.

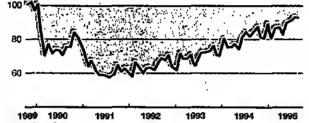
But the circumstances that created a fertile breeding ground for bome-grown entrepreneurship in the early 1990s are changing. The resolution of Poland's foreign debt crisis in 1994, the granting of investment grade credit rating last year and expected membership of the Organisation for Economic Co-operation and Development (OECD) have created new conditions.

Foreign direct investment, now approaching \$7hn and rising fast, is starting to play an increasingly important role in modernising the economy and integrating Poland with global markets. But this means that competition is increasing -

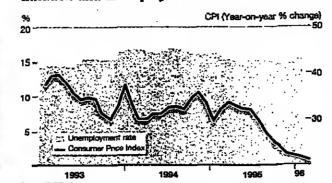
#### Industrial output

Index (Sep 1989=100)





Inflation and unemployment



and with it the temptation for politicians to listeo to calls for the protection of local capital rather than press ahead with open markets and transparent rules for all. Rising investment, specially

> Foreign direct investment approaching \$7bn and rising fast - is starting to play an important role in modernising

from Poland's high-cost Ger-man-speaking and Scandina-vlan neighbours, has been accompanied by a small avalanche of German and other foreign banks eager to service foreign companies seeking a low cost production base and a

Grzegorz Kolodko

has to convince the

left of the virtue of

Poland has a new five-year plan, although Mr Grzegorz

who drew up the country's

so-called "Project 2000" as a guideline for economic policy

until the new millennium.

US presidential candidate

old-style socialist planner.

He does not advocate a 17

per cent flat rate income tax

like Mr Forbes. But, with the

backing of the president, he is

trying to persuade sceptics in

the cabinet and ontside that a

virtuous cycle of sustainable

can only be achieved by lower

growth and lower inflation

taxation, less government

spending as a proportion of

GDP and higher savings and

With general elections due

in the summer of 1997, the next few months will be

crucial for the success of his

proposed sustainable growth

strategy. The pressure from unreconstructed left wingers to raise spending is growing

spending will not be possible

unless the government grasps two political nettles. The first

is reform of the social security

system to put pensions on a self-financing basis. The other

and cutting taxes and

is the closure of 15

loss-making pits and the

phasing out of loss-making

make up 25 per cent of its population. Their pensions are

past attempts to freeze

and have left a legacy of

outstanding payment

\$2.8bn

commitments of around

Poland's 9m-plus pensioners

linked to average incomes and

payments or link pensions to

prices rather than wages have

been challenged in the courts

The aim of pension reform

plans now before parliament is

to equalise pensionable age at

65 for men and women, link

annual adjustments to prices

proposed new funds would be

contributions and partly by income from still to be

not wages and shift new

fully funded basis. The

privatised state assets. Without such reforms. which are designed to put a

built up partly by

Steve Forbes than any

sounds more like the former

Kolodko, the finance minister

pit closures

the country

■ The finance minister: by Anthony Robinson

will be on offer. kets like Germany is weaken-

toe-bold in Poland's increasingly prosperous domestic mar-

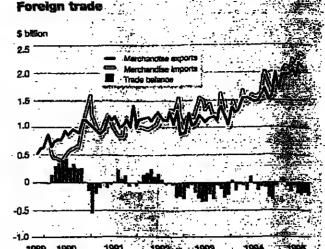
National Bank of Poland's grant of full banking licences to some of the most powerful European and US banks rocked the local banks, which risk losing their hest employees and the blue-chip Polish companies whose custom they need to keep if they are to survive. Senior bankers such as Mr Cezary Stypul-kowski, the president of Bank Handlowy, argue that bank privatisation must he speeded up to allow banks such as Han dlowy the chance to forge strategic partnerships and obtain access to the foreign capital and technology required.

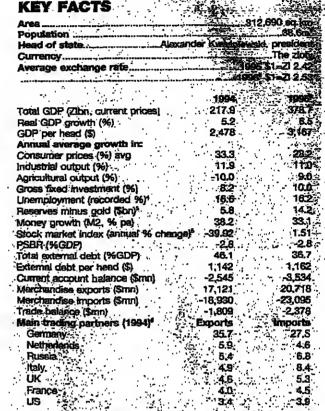
The finance ministry planned to strengthen the remaining state owned banks by forming two groups around Bank Handlowy and Pekao SA. the main savings bank, prior to eventual privatisation. But this is now being reviewed after protests by the banks involved and criticism that the plan would waste time and effort and not address the basic need for more capital, lower costs and greater efficiency.

Meanwhile, pressure for further privatisation is coming from the treasury, which has managed to keep the public sector deficit below 3 per cent of GDP for the past two years but badly needs both higher revenue and social security reforms to keep overall spend-ing and the budget under con-

Mr Wieslaw Kaczmarek, the privatisation minister, hopes to raise at least \$1bn this year through the sale of some of Poland's most attractive companies, including Polska Miedz. and LOT, the Polish airline, A similar target is on the horizon for 1997 when a minority stake in the state telephone monopoly, Telekomunikacija Polska,

But the main focus of economic growth this year is expected to shift from foreign trade to domestic infrastructure investment. Trade grew by around 40 per cent last year (if officially unrecorded cross horder trade worth an esti-mated \$6bn is included) but demand from key export maring and the strong zloty is making life difficult for hig





End period Share of world trade. Sources: Detectment, Economist Intelligen

exporters such as the shipbuilders, and reducing the competitive advantage of relatively low labour costs.

Work should begin this year on building the new motorways that are planned to crisscross the country by the year 2010; the main east-west railway between Berlin, Warsaw

and Moscow is being modernised; some 700kms of trunk gas pipeline is being hullt to transport Siberian gas to Germany. More than 50 per cent of gen-

erating capacity is obsolete and needs replacement while telecommunications, refineries and ports need expensive modemisation. Frivate house-hullding is also gearing up for an

Anticipation of such investment-related spending has pushed steel, cement, construction and related stocks higher on a booming Warsaw Stock Exchange. The WSE is gearing up for a steady flow of new entrants during the course of the year and expects a wave of rights issues and capital

Meanwhile, real incomes are rising fast, due partly to revaluation of the zloty in real terms. Ensuring that higher incomes translate into higher savings to fund investment rather than high consumption and inflation is a principal policy concern. International hankers worry that, as memo ries fade of the traumatic loss of income and security suffered in the early years of systemic transition, the willingness to work hard, save and invest will weaken and calls by left wing politicians to spend more will rise. In that case, they warn, the prospect of steady economic growth, and the chances of catching up with the living standards of western Europe which are now in sight could remain tantalisingly out of reach.

grew by almost 7% last year, the biggest rise in Central Europe.



3. In the last 6 months an additional 2, 189 foreign companies have invested in Poland.

4. There are already 56 companies listed on the Polish stock market. (In 1991 there were just 5).

vays in which the Polish economy is changing. ecause we're Poland's number one private bank. we have our finger on the pulse of change, just like your bank at home. We know the opportunities and, of course the pitfalls: because we're dealing with them every day. We also maintain truly international standards of service. When you do business with Bank Ślaski. it's just like talking to your local branch.

These are a few of the

If you'd like some more information about us, please call/fax: (48 32) 599 772 or mail: Bank Śląski S.A. Departament Zagraniczo ul. Piotra Skargi 2. 40-950 Katowice, Poland

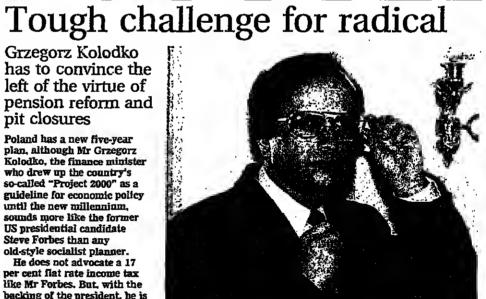
In 1990, the Polish inflation rate was 30.86%. ln 1996, estimates suggest. 6. The private sector now accounts for almos 50% of Polish GDP 7. The Polish parliament is new marking on 175

new financial



BANK ŠLASKI S.A. YOUR FUTURE IN POLAND IS WITH US

A ROUGH **GUIDE TO** POLAND (BY A VERY SMOOTH GUIDE)



cap on government spending, popularise privatisation and introduce closer links between future benefits and

Baltec Associates, Inc.-Polgoel Bogdan Grzesiak, M.Sc. eng Geologist in Chief - Deputy Director

POLAND

Tel (48 22) 617 30 31

Fax (48 22) 617 42 21 Tlz 81 4907 pg pl

contributions, Project 2000's goal of non-inflationary growth will remain a pipedream.

International **Environmental** Consulting & Remediation Services

Baltec Associates, Inc. is pleased to announce, in partnership with Polgeol, the establishment of its newest office in Warsaw, Poland

USA CORPORATE OFFICES Baltec Associates, Inc. 460 Old Post Road Bedford, NY 10506 Tel 914-234-9580

Fex 914-234-0564 DENMARK Balter Associates, Aps Sorgenfrive 16 DK-2800 Lyngby Tel 45 45 93 88 93 Faz 45 45 93 80 93

Baltec Associates, SIA Kr. Barona tela 88-9 LV-1001, Riga, Latvia Tel 371 2 276501 Faz 371 7 828231

Baltec Assoc. West Africa, Ltd.

Dr. E.O.T. Prempeh P.O. Box 9732 K.L.A. Accra, Chana Tat 233 21 773 153 Fax 233 21 774 338

LIST OF SERVICES OFFERED BY BALTEC ASSOCIATES, INC. AND POLGEOL Phase I and Phase II environmental assessments

Environmental audits and impact

statement preparation Assessment and remediation of soil and ground water containment associated with refineries, bulk

fuel terminals, gasoline marketing facilities, rail yards, airport factories, military sites, pipeline transfer facilities

Landfill assessment and monitoring

 Soil gas surveys · Ground water resource evaluation

Ground water flow and solute transport modeling

 Geotechnical soil investigations · Environmental planning and management

· Hazardous waste site disposal selection and construction management

 Wastewater and wellhead treatment system design and construction management

Biotreatability studies

 Laboratory services (chemical, biological, physical, engineering)

Banking: by Christopher Bobinski

# Rivals reshape sector

As competition intensifies, the banks look set for a period of consolidation

ARCH 27 194

..... 312 690 <u>59</u>54

1995 1 2012

- First St. Firs

11.2

3.7

10000000

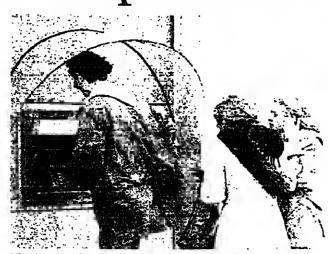
Poland's financial system is fast maturing and memories are fading of the early days when a liberal licensing regime spawned a crop of inexperienced, under-capitalised and sometimes dishonest hanks. Now privatisation and consolidation are the slogans as the hanks face up to the prospect of fierce competition after 1998 when access is liberalised by Poland's association agreement with the European Union.

Some of the private hanks established in the initial halcyon days have failed and the National Bank of Poland (NBP), the central bank, headed by Ms Hanna Gronkiewicz Waltz, a former aca-demic specialising in banking law, has tightened supervision. The NBP now grauts new licences only to institutions willing to support ailing exist-ing banks. Some otherwise doomed banks have been tucked into operations started by newcomers such as ABN AMRO of Hotland and West LB from Germany. Others have been taken over by the NBP

Crowing competition has fuelled a debate about how far foreign banks should be allowed to penetrate a banking system that is still poorly prepared to face the multinational banks with their seemingly limitless capital and vast human and technological resources. At the same time. Poland is under-banked. Only 10 per cent of Poles have a bank account and balf the popmation say they have no contact with banks at all, Much of the economy operates on a

Mr Witold Kozinski, the deputy head of the NBP, speaking at a recent conference, admitted that local hanks would have "difficulty" in competing and said that access to the Polish market by foreign banks should be granted "carefully". The government's latest draft proposals suggest that foreign banks will not be blocked from buying into state-owned banks. But foreign ownership will be limited to no more than 15 per cent to 20 per cent in four selected banks. The quartet consists of PKO BP, the main domestic savings bank, the Food Economy Bank (BGZ), which serves the farm sector,

Bank Handlowy and PKO SA. Foreigners are Mr Ryszard Pazura, a deputy finance minister responsible for the banking system, sounds a more welcoming note. The presence of foreign banks such as ING of the Netherlands and Citibank of the US is "refreshing", he says. "Foreign capital develops banking institutions. It is a very positive phenomenon and a sign that Poland is becoming normal," he adds.



Foreign banks currently own 14.5 per cent of the capital of the country's entire hanking system and few now contest the view that the competitive environment provided by for-

eign banks since 1991, augmented by the addition of several German banks such as Deutsche Bank aud Dresdner bank last year, has helped the domestic hanks to improve. The debate on the role of the foreign banks is tied up with the privatisation of the banking sector. Domestic capital is scarce and foreign investors

bring not only cash but also

know-how and technological

expertise. Those banks that

have already been privatised.

Foreign banks bring cash, know-how and technical skills

such as the Wielkopolski Bank Kredytowy (WBK) or the Bank Slaski (BSK), and whose foreign strategic investors are respectively the Allied Irish Banks (AlB) and INC, have done better than banks that are still-state owned or lack a big investor. The Export Development Bank (BRE), in which Commerzbank holds a 21 per cent stake, is a star performer. doubling its net profit to 105m zlotys last year.

"The main issues for Poland's banks are working out a strategy for the future. having the management to implement lt, and putting the right technology in," says Ms Christine Bindert, a hanking consultant. "And this is bappening faster in those banks that have a foreign investor than in those that don't," she

adds. showing considerable interest in making strategic investments in the larger Polish banks. Both ING and AIB want to increase their existing Deputies working in parliastakes and the latter has received permission to buy up to 40 per cent in WBK from the central bank. Daewoo, the Korean industrial conglomerate. wants a major share in the still state-owned Bank Depozytowo

Kredytowy (BDK) in Lublin. General Electric Capital from the US is poised to purchase a majority stake in the Warsaw based Powszechny Bank Kredytowy (PBK), due to be privatised this summer, or take a stake in the listed Bank Powszechno Handlowy (RPH) where the state treasury still holds 46 per cent. Others that have signalted an interest in purchasing further stakes include ABN AMRO and Societe Generale of France,

Interest would be greater still if the government were to make its intentions clear on a controversial bank consolidation plan first mooted last year, Under the plan, PKO SA is to join forces with two state owned regional banks in Lublin and Lodz and take over the Treasury's 63 per cent stake in the listed Polish Development Bank (PBR), The second consolidated group is supposed to coalesce around Bank Handlowy, which celebrated its 125th anniversary last year.

The former foreign trade bank is to get a regioned bank in Szczeein and a 46 per cent treasury-owned stake in the listed BPH bank, much to the dismay of BPH's existing shareholders, which include the ING and the European Bank for Reconstruction and Development (EBRD), According to the government's draft proposals, the two groups would then be privatised and 51 per cent of the shares would be banded to peosion funds that do not yet exist but will be created under planned reforms of the social security system.

But the seemingly arbitrary way that the government proposed for handing over its 46 per cent stake in BPH to what is still a state-owned hank raised doubts abroad as to the government's commitment to respecting the interests of priministry now signals that it wants the BPH and the PBR stakes excluded from the plan. ment on enabling legislation for the scheme also recently voted to include only 100 per cent state owned banks. But there is still a powerful lobby for the original plan and the matter remains unresolved.

milien i in Central & Eastern Europe Creditanstalt-SCG Creditanstalt Financial Fund Management S.A. Advisers S.A. skin 58 C. Swede Center Buildin PL-00-803 Warsaw PL-00-803 Wersew Tel: (+48/22) 630 6041, Fax (+48/22) 630 6003 Tel: (+48/22) 630 5090, Fex (+48/22) 630 6118 Contact: Richard A. Golden KORONA Creditanstalt **Trust Fund Corporation** Securities S.A. Prosta 69 Street side 56 C. Sweda Canter PL-00-838 Warsaw Tel: (+48/22) 534 298, Fax (+48/22) 534 2985 Tel: (+48/22) 630 8272, Fax (+48/22) 630 6268

PROFILE

Włodzimierz Cimoszewicz

# Reformer calls for conciliation

The prime minister wants to end the polarity that has dogged much of Polish politics

Mr. Włodzimierz, Crmoszewicz, Poland's seventh prime minister since the collaise of communism, describes himself as a man of compromise and dialogue". After an mauspicions beginning, the record bears him out. The now 43-year-old lawyer

joined the Polish United Workers Party, as the communist party was known, in the late 1960s while at Warsaw University. It was not a good time. Many had quit the party in disgust at the Soviet invasion ut Czechoslovakia, in which Polish troops took part, and the anti-semitic witch-hunting that engulfed the party as General Micczyskow Moccar, the interior minister, settled old scores in the last months. of the regime of Mr Wladyslaw Gonulka.

For 13 years the slightly built, alert-looking academic taught international law at Warsaw University, Then in 1985 he, his wife and two children withdrew to their 20 heerare family form in Bialystok province, north eastern Poland, Pour years later he was glued to the radio and television like millions of other Poles as Solidarity and the Communist party held the unprecedented negotiations that led to the first semi-free elections in June 1989.

"At last I thought Poles had a chance to change things. especially economically, But no-one had any idea that things would change so far or so fast," he recalls. The man whom a former did ally himself with the left

cabinet minister in the Soli-darity government describes dismissively as "a legally formalistic third generation communist" opted to take part in these tilmutiuous times by putting himself forward as a parliamentary randidate for the communist party in Bialystok. Not an obvious choice for a budding politician at the time.

"I did not expect to win. The eastern part of Bialystok is populated largely by orthodox Christian Belarussians who stick together much more than the Catholic Poles to the west. But I was the only one of 18 party candidates who had bothered to prepare an electoral programme and to my surprise I was elected," he

The victory, horrever, was isolated. The 1989 elections were a moral defeat for the communists as Solidarity swept the hoard in the 100-scar secure and ivon all the seats not affocated in advance to the communists in the Sojm, or lower house. Mr. Cimoszervicz's approach

was characteristic, "Naively, I tried to establish a dialogue with the Solidarity people in parliament, but it was impossible at that time," he recalls, The overwhelming Solidarlty friumph, however, soon

dissipated itself in internal rivalries and degenerated into a bitter "war at the top" between the prime minister, Mr Tadousz Mazowiecki, and the former Solidarity bero, Mr Lech Walgsa Meanwhile, the communist party dishanded and Mr Alexander Kwasniewski emerged as the leader of the Social Democratic Party that replaced It.

Mr Clinioszewicz did not join the Social Democrats, But he

Democratic Left Alliance (SLD), an amalgamation of over a dozen left wing groups of which the Social Democrats were by far the strongest and best organised. He accepted Mr Kwasniewski's invitation to stand as the SLD's candi-

date in the first presidential elections of December 1990. Mr Walesa was elected president, but not by the landslide he expected, and only after a second round run off with an obscure Polish-Candadian emigrant, Mr Ston Typunski.

Mr Cimoszewicz, the future prime minister, picked up only 9 per cent of the vote. But that was the start of the left's return to power. A year later, in the 1991 parliamentary elections the SLD gained 12 per cent of the votes and 60 seats to become the second largest party after the Democratic Union, the Solidarity party, which picked up 55 seats.

Two years later, in the Sep-tember 1993 elections, the SLD emerged as by far the biggest party and became the mainstay of the first coalinon government, headed by Mr Walde-

peasant party (PSL), Mr Cimoszewicz became deputy prime minister and minister of jus-

At the government re-shuffie that brought Mr Jozef Oleksy to the premiership in March 1994, Mr Cimoszewicz left the government after being refused the justice ministry. He returned to the backbenches, only to be recalled when Mr Oleksy resigned to defend himself against spy allegations made by outgoing president Mr Walesa.

in an interview earlier this month, Mr Cimoszewicz said that his main aim was to establish a dialogue with the opposition and seek broad backing for the tough socio-economic decisions required to slim down the coal industry and push through much needed reforms to the health and social security systems. A complex re-organisation of the system of public aduunistration and local goverrament is also on the agenda. With general elections expeced in around 15 months' time and the political temperature set to rise, creating consensus will be a tail order. But the pipe-smoking premier is determined to keep channels of communication open with the

Freedom Union (UW), The UW is the successor to Solidarity, Its leader, Mr. Leszek Balcerowicz, was the father of Polish economic reforms as finance minister in the first Solidarity governments. But be faces a hard task welding former Solidarity supporters into a an effective political machine capable of winning votes and forming an alternative government, or even an effective opposition.

The SLD is probably closer to the UW in economic and Anthony Robinson

junior coalition partner, the peasants party (PSL), which is suspicious of foreign investment and favours protectionism, specially for agricultural products. The PSL is also strongest in rural areas while hoth the UW and the SLD are

essentially urban parties. Mr Cimoszewicz, with his slightly detached relationship with the SLD and his friendship with prominent Solidarity era intellectuals, especially Mr Adam Michnik, firmly believes that Polish politics. with its historically influenced attitudes and relationships daring back to the Cold War and the anti-communist struggle, is due for a re-alignment

"We need more rational criteria for differences between political groups. There are still emotional and historical guifs between us.

"The left has re-established its position and there wil always be space for a peas ants' party for the foreseeable future. But the Freedom Union and the Labour Union (UP) [which also emerged from the break-up of Solidar ity] are both finding it difficult to reach the 10 per cent sup-port level, and risk disappear ance if they split or continue to weaken," he says.

Extinction of the opposition is not something Mr Cimoszewicz relishes. On the con trary; "Nobody can tell what will happen in Russia and elsewhere to our east. The danger is that if the Solidarity partles disappear their place could be taken by populist parties, including those with an anti-Russian and national istic outlook. That would not be good for Poland," he says.



Dear Ladies and Gentlemen.

The Ministry of Privatisation which I have been heading for two years, is seeking strategic investors for Polish enterprises going private. We are open to all proposals. Every day my associates and I meet with foreign business people interested in investing in Poland. Many of these meetings have resulted in promising contracts:

Polish privatisation can be a chance for everyone. We welcome not only major companies; global consortia and banks but small and medium size businesses as well.

Poland does not offer any special privileges to foreign investors. This is because we do not want to create an impression of providing privileges to either Polish or foreign companies. We do, however, offer a very auractive environment in a country which has a rapidly growing economy.

Why do I think it is worthwhite to invest in Poland?

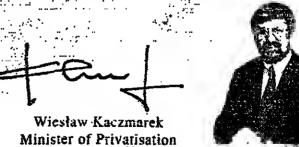
Already, over half, of the national income in Poland is generated by the private sector. It is notable that since 1990. the value of foreign investments in our country has reached a level of over USD 6 billion. After five years of political and economic transformation we now rank in the group of countries with the highest economic growth

rate. Poland is also a market of nearly 40 million consumers.

Our country links Western and Fastern Europe, Northern and Southern - it simply lies in the heart of Europe. However, geography is but one factor. What needs to be stressed first and foremost, is the consistent foreign policy initiated in 1989 which focuses on creating the closest possible ties between Poland and the European Union countries. For the time being we are an associate member of the Union and we hope to become a fully fledged one in the near future. We have regulated our financial relations with the Paris Club and London Club. We expect to become a member of the OECD this year. Hence, Poland has become a secure country for long-term investment.

If you are looking to dynamically develop your company, you may take a closer look at Polish companies slated for privatisation. This will be a chance for success - for you and us. A chance to quickly establish a Common Europe. 17 18 YE ...

I wish you success in your business endeavours in Poland.



UL. KRUCZA 36 / WSPÓLNA 6 00-522 WARSAW, POLAND FAX: (48 22) 628 08 72, 621 33 61 FAX COMERTEL: (48) 39 12 09 27. 39 12 08 75 ■ Retailing: by Christopher Bobinski

# storm from the west

Hypermarket chains are taking advantage of the increase in Polish purchasing power

Brightly llt shops, their shelves well stocked with both imported and domestic goods, are the most visible sign of the changes market reforms have brought to eastern Europe's once gloomy streetscapes.

Poland is no exception: the country's retail sector is now more than 90 per cent privately owned and is often cited as a triumpb of Poland's entrepreneurial spirit after 40 years or more of centralised trade.

The reforms resulted in an explosion of street stall traders and new small shops that helped absorb the first shock of unemployment as the economy started to shed excess labour. However, this fragmented retail sector now faces a challenge from a wave of supermarkets planned by investors from western Europe aiming to take advantage of economies of scale and a lack of competition from units their size.

Estimates of the number of shops in Poland vary from 234,000 to 700,000 if the smallest outlets are included. In any event, the number of shops per client is many times higher than in France or Hungary. And still at the moment there are a mere 1,400 supermarkets and only 13,000 large sbops.

This will change with an announced investment of around \$1bn over five years by western retailers in suburban supermarkets and out of town sites, grouping not only food shops, but also do-it-youself and furniture shops such as the Marki complex just south

Mr Jan Chudzynski, managing director in Gerald Eve's Warsaw head office, notes the change in focus this is bringing for the real estate developers. "First, foreign retail activ-Ity was in the fast food sector with MacDonald's and Pepsico with their Pizza King and Kentucky Fried Chicken brands looking for small sites. "Now

the retailers are looking for Poland. It currently has six five bectares at a time." he

Such developments are feasihle now given that around half of Poland's domestic households possess a car. "All that needs to be done is to allow for more parking space than you would in the west," says Mr Julian Lyon of Henry Butcher. the property company, "This is because people tend to spend more time in the shops and spend less per visit." he explains, adding that this will change as purchasing power grows. Then more shops can be built on the excess parking

So far. Makro Casb and Carry, owned by SHV Holdings of Holland, bas led the way in

stores in place, each sized at around 13,000 sq m, and plans to open five or six more stores this year as part of a \$190m investment programme. The formula is to restrict access to corporate customers, which means small companies, as well as restaurants and bigger husinesses. But the crowds of shoppers at the weekend, when checkout queues can he an bour or more long, snggest that access is fairly free. Indeed, last year, the Warsaw store had the best results of Makro's 130 or so shops world-

in Krakow, local small shop owners complain that turnover has fallen markedly since a Makro opened there. Indeed.



The wrong size? Some small units may not survive the superstore boom

■ The stock exchange: by Bob Vincent

# Poised for the big

Privatisations, pension funds and foreign investment make prospects

bright for the WSE The government is aware The Warsaw Stock Exchange that the expansion threatens to will celebrate its fifth anniverput many small traders out of sary in April and it appears business, Mr Tadeusz Soroka, a deputy trade and industry minthat the bulls turned up early ister, has said that a document for the party and have is heing prepared on forms of recently been driving the marproviding investment support

Analysts point to attractive fundamentals in the shape of a strong economy, growth in mpany earnings and a market that has the potential to become the dominant one in the region. The WIG, the WSE index, jumped 37 per cent in January to make Poland the world's best performing market during that mouth and early in March it hit its highest point since August 1994.

ING Barings has detected a strong stream of foreign funds, supporting its prediction that portfolio flows into Eastern Europe would accelerate markedly this year and Poland would be an important beneficlary. It sees foreign ownership - variously put at 20-25 per cent - rising to 35 per cent if these flows continue.

president and chief executive the Warsaw Stock Exchange, who is anxious to build on the market's strong foundations to attract foreign funds, the share of which he says could be doubled, and to creato greater stability.

Mr Wieslaw Rozlucki, the

During the past five years, the stock exchange has been steadily expanding. It now has more than 70 quoted compa-Warsaw stock exchange

ket to record highs.

This would be good news for

nies and a market capitalisation of more than \$6bn. A fully-computerised system has been installed and the exchange operates a single price market system.

It has achieved this progress national telephone operator. within a regulatory regime the Bank Handlowy and Polthat encompasses full disclo-sure rules and tough measures against fraud.

Poland's privatisation programme is one significant element in the changes Mr Rozluckl is seeking to bring about. Another is the Polish government's desire to reduce the burden of state pensions and pave the way for private pensions funds.

Mr Rozincki says thet pension funds would complement our market." The stock exchange is now largely made up of small- to medium-sized fund industry," he maintains: companies and the large state Such a move, he adds, would entities have yet come to mar-Ha says that one possible

flagship candidate is Polish

Copper, 15 per cent of which is

to be floated on the Warsaw

bourse later this year. Others,

for which privatisation dates

have yet to be set, are Teleko-munikacja Polska, the

ska Nafta, currently being

organised as a state-owned

company for the oil industry.

privatisations has tradition-

ally been that the market

would not be able to digest

them. This, Mr Rozincki

argues, is where pension funds

could play a key role, taking up part of the sbare allocation.

Mr Rozlucki envisages a pri-

vatisation structure that

would involve a public float of

**Polish** 

**Development** 

Bank

is your key

to the free market

potential of Poland

The argument against such

20 per cent, a strategic buyer the privatisation goal. taking 30 per cent, pension First he wants to see largefunds taking a further 30 per scale sell-offs, "What we need cent and the state holding the is big Polish companies that remaining shares. would become flagships for "This would be a way of privatising large companies and belping to launch the pension

> be attractive to foreign investors since a cluster of big companles would be more cost effective for them. "It's easier to invest in four-

large companies than 15 smaller operations," be says, adding it reduces the need fo nsuming analysis. While hig sell-offs impend. the country's mass privatisa-

tion policy is coming to freition and posing other challenges and opportunities for the exchange. The programme is centred on 15 National Investments Funds that have been allocated shares in 512 companies, with an underlying hook value estimated at around S3bu.

According to analysis, the mix of companies is heavily weighted towards the engineering and chemical sectors. The funds are managed by local and foreign firms, including Kleinwort Benson, BZW and Lazard Freres.

Mr Rozlucki says that he believes that the NIFs will be listed on the exchange by the end of year. Some of the individual companies will also get listings, but analysts think that the NIFs will want to restructure such companies to enhance their value before bringing them to the market. Mr David Young, director of Wood and Company, a securi-ties firm specialising in cen-Enropean stocks tral

Continued on facing page

Mary North



## Furnace rises from the ashes

Huta Lucchini: by Anthony Robinson

Italian ownership and investment have rescued the Warsaw steel plant from closure

retailers is beginning to come

shopkeepers who are appealing

to local authorities to withole

planning permission for new

for domestic retailers. "We

can't allow mass unemploy-

ment to appear in this sector."

he has been quoted as saying.

supermarket expansion is set

to continue. Tesco, the large

UK retailer, has bought the for-

mer state retail chain in Biel-

sko Biala and is preparing to

invest up to \$200m in southern

Poland. Leclerc and Docks de

France have said that they

want to build 60 or so stores

around the country while other

French retailers with ambi-

tions plans in Poland include

Casino and Auchan. At the

same time, the do-it-yourself

sector is heing targeted: Stinnes of Germany has plans

to open between 20 and 30

hypermarkets and Castorama

of France wants to establish 16

Meanwhile, the western

up against protests from small

Thronghout the former communist world the bulk of heavy industry remains firmly in state hands, partly because of a lingering belief in "family silver" and in controlling "strategic industries" and partly because of the indifference of private investors.

The exception is Hinta Lucchini Warszawa, which Mr Bruno Schwahh, the managing director, proudly describes as "the only private steel company in the east". The decision to look east was a strategic one group and was taken in 1990. We are the number one private producer of long products in Europe following our purchase of the Piombino and Servola (Trieste) steel plants in Italy. We were looking to expand in the east because steel is expensive to transport. Privatisation in Poland gave us the chance to buy a steel plant close to the German and Scandinavian markets and, looking further ahead, close to the Russian market as well," says Mr

"At Huta Warszawa we found an entire industrial structure, although much of the equipment was Russian made and dated back to the 1950s in an industry where plant has to be renewed every decade. Of the five furnaces one was always closed for maintenance and the others worked at around 20 per cent the capacity of a modern furnace," be recalls.

At first, Lucchini; a pioneer in scrap-based mini-mills in the intensely competitive environ-ment of the north Italian ironmasters, thought that it would only need to send a few of its personnel to supervise the transformation of Huta Warszawa. But around 20 Lucchini specialists are now employed at the plant, which was losing \$2m a month and beld no stocks before Lucchini took over the controlling 51 per cent in the company.
"We also had to cope with a

major cultural problem. The workers council thought it still bad the right to choose the board. We had to tell it that was the prerogative of the In June-July 1994 Hnta Lnc-

chini was closed by a 49-daylong strike over the issue. And the company also faced 18 months of negotiations with the workers council over job cnts. "Finally we got the go-ahead to cut the workforce of 4,600 by 40 per cent. Today we employ 2,800 hnt there were few redundancies and many more are working as private contractors," Mr Schwahb

Establishing clear property rights over the plant and over land that, in the 19th century, was used as a Russian army firing range, was as complex as coming to terms with the workers. "Nobody warned us about the difficulties we would face acquiring the land. There were no details in the land reg ister or maps of the land which from 1840. In the end, we secured ownership of the plant and a renewable right to use the land for 99 years. But we lost two and a half years over all this."

It was not until May 1995 that Lucchini was finally able to sign contracts for the pur-chase of new plant including the electric furnaces, ladles and continuous casting equipment needed to bring cost and quality standards up to those in the west. By so doing, it ensured the re-hirth of a plant that was earmarked for closure by Hatch and Co. the Canadian consultants that drew up a plan for the future of the Polish steel industry for the first

Solidarity government. The Canadian plan called for the closure of the notoriously polluting plant as a response to lohhying hy Warsaw's city council. Instead the ECU65m (\$100m) first stage of the investment plan involved closure of the worst offending sections - the carbon gas plant and the foundry - and the con-version of coal-fired boilers to gas. Air pollution levels were reduced by 80 per cent while a new water filtration and recycling system eliminated pollution from this source.

"The plant will become competitive when the continuous casting line comes into operablooming mill is closed. But in western Europe such a plant producing 250,000 tons of finished steel would function with 800 not 2,800 workers. The really difficult task of changing people's mentality so they think in terms of cost reduc-tion still lies ahead." Mr Schwabb says.

PDB is Poland's strongest-capitalised

commercial-cum-investment bank.

It is a bank with mixed public and

private capital. The bank's foreign

shareholders are reputable financial

institutions which specialise in long

as an exceptional banking institution

and innovative, in particular with

introduction of a number of new,

high yield instruments.

in that its products both comprehensible

term lending and investments.

PDB is perceived by its clients

PDB's aim is to foster private business, whether locally or foreign-

· local and foreign currency loans to private firms, including start-ups equity stakes, long or short-term stockbroking and investment advice.

We are just a phone call away.

owned, through:

00-675 Warszawa, al. Koszykowa 54, Pol-phone: (48-22) 6308402, (48) 39120828 fax [48-22] 6308403, dx 812698 porsa pi, SWIFT POAK PL PW



Very markets are springing Welcome aboard! new market? LOT Polish up all across fastein Europe. With its accelerated development rate. Poland is the most exciting market of them all. GDP up 6% Industrial output

Airlines, Poland's national carrier, offers you just the ticket you need. One of Europe's oldest carners has decided to become one of its most

markets of Fastern Europe



BDH Ltd.

offers for sale a three-star hotel complex



\* restaurant \* cafe bar \* night club \* drink bar \* banqueting.room \* \* conference room \* sauna \* shopping centre \*

The most comfortable hotel on the Mid-Pommeranian Baltic coast, located in the centre of the town of Koszalin. The hotel, only 10km away from sandy beaches, is conveniently situated on the transit route along the Balde coast line. It was established in January 1992. There are 74 rooms including 2 president suites and 4 spartments. Maximum capacity is 148 beds.

Price US\$ 4,200,000

For further information please contact: Mr. Andrzej Zaczek 01-234 Warszawa ul. Kasprzaka 29/31, Fax: (0-22) 36-08-78



**EAST-WEST EXPRESS** 

The border forwarding-reloading firm (Hrubieszów/Poland – Izow/the Ukraine; Dorohusk/Poland - Jagodin/the Ukraine)

offers: Complete reloading service of Unpacked goods

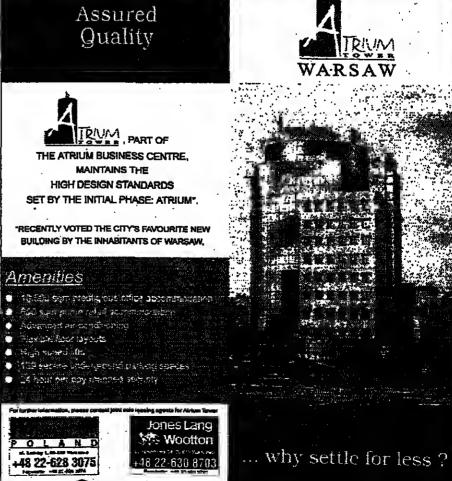
☐ goods in bags

goods on palettes □ containers

Complete spedition service on the territory of Europe.

from the Ukraine to Europe

POLAND 22-500 Hrubieszóv tel. 48-838-48-25 fax 48-838-48-68



Energy: by Christopher Bobinski

Talkan but all water and a second

MARCH 27

cent, a strategie

30 per cent had the state holder

s would be a way of

ig large companies

a move he made to ractive to foreign a more a cluster of bear with the world be more a cluster of bear with the world be more a cluster of bear with the world be more a cluster of bear with the world be more a cluster of bear with the world be more as well as we

wonid be more

easier to invest in

it reduces the bear

onsuming analysis

le hig sell-offs

ountry's mass pin

solicy is coming his

and opportunits

change. The proper atred on 15 the ments Funds that

allocated share i

value estimate

ording to analysis

of companies is be

g and chemical se

unds are manage

and foreign firm,

deinwort Benson,

Roziucki savi ik

es that the Mrs 18 on the exchange

f year. Some of the

l companies will the

gs. bu! analysu t

the NiFs will to

acture such company

ace their value &

ing them to the me

David Young die

and Company, and

firm specialising i.

Continued on lains

22 P. V. 312

party or terape

present harse

%ರೈಯಿನ್ ಕುಗ್ರ⊶ಗಡಿಕ

ser shum-term

Askert of the Palent and Interest

tem versie

my estimant.

\$ 5 % P

European &

azard Freres.

compaoies that

ve for them

# The long road to liberalisation Models of the modern

The government is stepping up its privatisation drive, but obstacles to reform remain Free market reforms have

made little progress to date in Poland's energy sector, where mounting losses and the urgent need for modernisatinn threaten to become a large financial drain and inhibit future economic growth. Recently, however, Mr Kle-mens Scierski, a former power

station manager who is now the minister of industry, published a white paper outlining future privatisation plans for the electric power generating and distribution sectors. Moves are also afoot to

restructure the Polish Oil and Gas Company (PGNiG), an oid style vertically integrated monopoly involved in everything from prospecting to the extraction and distribution of natural gas.

The government also continues to wrestle with an overmanned and loss-making coalindustry. Mr Jerzy Markowski, has put forward an ambitions restructuring plan involving a 12 per cent cut in output to 120m tonnes by the year 2,000, and a return to profit within

Privatisation of the coal industry is scheduled to begin with the sale by the end of 1999 of Budryk and Bogdanka - the industry's two most efficient mines. The plan also provides . for the disposal of Weglokoks, the state-owned coal export agency, Weglozbyt, the stateowned domestic coal distributor and Kopex, a mining machinery trader. Ownership of the remainder of the mines will be passed to a new body called Polski Weglei (Polish



a deputy industry minister. Fueling debate the coal industry is the object of controversial plans

company with majority stakes in the coal producers, which will be organised into six large mine management groups.

These plans, however, could founder. The direct cost to the budget of reducing debt and paying for pit closures and up to 80,000 lob cuts over the next five years will be \$2.1bn

... Controversy also surrounds plans to construct a pipeline designed to bring gas across the country from the Yamal peninsula in northern Siberia to Germany. Opposition parties accise the former communistled government of seeking to limit Poland'a freedom of manoccure. In reality, by providing Coal). This will be a holding an additional 13bn cu metres of Russian natural gas a year by 2010, the pipeline agreement would allow a rebalancing of the present coal-dominated energy mix and increase the choice of fuels for power gener-

Hard and brown coal currently provide 77 per cent of Poland's basic energy needs. The country has no oil fired power stations and, following a decision in 1990 to stop construction of the Zarnowiec atomic power station on the Baltic coast, there are no plans for any atomic power generating capacity. This leaves coal to provide 96 per cent of the power industry's fuel needs and gives powerful political

ogy and management skills," Mr Klemens Scierski, the industry minister, said when energy pricing policy, which is still in the hands of the governunveiling the white paper for the industry.

ment. Only now is a long The paper envisages the introduction of a free market delayed draft energy law being debated in parliament. This for power with groups of power promises to free energy prices, producers competing with each currently controlled by a speother to supply distributing cial regulator. The government companies and individual clirecently dismayed the energy ents in a system modelled on sector by limiting electricity the privatisation of the UK's price increases to 50 per cent of retail price inflation. For the The success of the plan turns on the principle of Third Party first time, it failed to provide the real increase in revenues Access (TPA) to the power demanded by the industry to transmission system as well as to the country's pipelines. finance anvironmental improvements and general modernisation. Mr Hubert However, TPA has met with resistance in parliament from Gabrys, the deputy industry the gas lobby, which fears an influx of Russian gas. Nor is it weicomed by all of the power ministsr responsible for the

stations as the less efficient

The decision to

raise electricity

prices could be

difficult to

maintain in

election year

to closures.

fear that competition will lead

At the same time, the coal

miners remain suspicious of

plans to switch some power

generation to gas in small local

combined heat and power

plants such as those in Poznan,

where British Gas is keen to

establish a generating joiot

ing US investors include plans

to build a 1,000MW plant on

the old atomic power site in

Zarnowiec and one in Zamosc

Poland's energy projections

envisage that 15 per cent of

power generation in the year

2010 will be fuelled by natural

gas, Meanwhile, Frontier Oil

oil exploration company, has

joined giants such as Exxon/

Shell, Texaco, British Gas and

Amoco in the search for oil

and gas. Last August FX

signed an agreement to explore

for:oil on 2.25m hectares of the

baltic coast between Gdansk

and Kaliningrad in co-opera-

tion with the Polish National

in eastern Poland.

venture. Other schemes involv-

decision could be difficult to maintain in an election year. The power industry estimates It will need \$50bn over the next 15 years to meet the stricter ecological standards due to come into effect in 1998 and replace half the 33,000MW installed capacity which is obsolete. To achieve these targets, the industry is looking for a 30 per cent rise in prices from 5.8 US cents equivalent

per average kilowatt hour to

power sector, says that elec-

tricity prices should go up "by

one or two points over infla-

tion" in 1997 to make up

ground lost this year. But that

7.5 cents by the end of the cen-Most of the capital, however, will have to come from foreign investors, which is why the government is moving to pri-vatise the power sector. Pilot sales of the 2740MW Patnow Adamow Konin (PAK) lignite fired electricpower plant as well as two power distributors in Poznan and in Silesia are

due to start this year. "We must privatise to keep energy prices from growing too fast, to get capital for modernisation and access to technol■ Elektrim and Rolimpex: by Bob Vincent

# market economy win contracts for one of

How two former monopolies have changed their strategies at home and abroad Elektrim and Rolimpex arc

two old hands at foreign trade that have had to learn new tricks. Elektrim, the electrical sugineering and trading conglomerate, and Rolimpex. a ig name in the agricultural industry, are both former monopolies that have adapted to and helped drive economic change in Poland. Elektrim has acquired a

swathe of companies, in sectors as diverse as power station equipment and farm produce. Rolimpex, meanwhile, has been at the forefront of the fundamental changes in Polish agriculture and bought companies in related sectors such as food processing.
Their monopolies allowed

them to build financial muscle and business expertise - two advantages they used to good effect as Poland switched to a market economy. Elektrim, in particular, has been active in bnying companies, putting them back on their feet and then selling a chunk of the resterrected concern. It has even earned itself the name of an unofficial merchant bank. The group has about 100 companies in Poland and about 20 overseas and agents in more

than 60 countries. The two companies share common endeavours. After aniassing a web of interests at home and abroad, they see increasing potential in the domestic market as the economy continues to grow and investment increases. For Elektrim, the country's huge infrastructure projects are par-

Exploration Company (FX Energy), a small Salt Lake City ticularly important. Mr Nikodem Muszynski. Elektrim's commercial director; says: "We have traded for a long time with the West and built up the know-how which we can now use to good effect. We are ready for the new envi-

As well as watching the

me market, both companies

wants to create a holding company with its five core operating divisions - including power equipment, cables and telecoms - becoming subsid-Mr Piotr Mroczkowski, Elek-

trim's chief financial officer, says a holding company structure would reflect the company's aim of concentrating un core divisions, tidying up management structure and improving efficiency. Rollmpex, on the other hand, which was floated in

1994, faces a further seil off of shares. Tha government, which holds 49 per cent, is to offer a 30 per cent stake aimed We have traded

for a long time with the west. We are ready for the new environment'

at passive long-term investors. The sale is set to raise about Zl123m. ·

Elektrim was listed the Warsaw Stock Exchange in 1992 and last year recorded net profit of Z151.8m np from Zl49.4m in 1994 with turnover rising to ZI1.2hn, against Zl1.04bn. lt is forecasting an increase to Zi70m this year.

Germany is still a key market for hoth exports and imports for the company, but overall its export markets have undergone a sea change - the European Union now accounts for about 60 per cent of turnover, aupplanting the

Comecon countries. At home, infrastructure development has already paid dividends for Elektrim. A consortium it was in recently won one of the licences to build a digital system for mobile communications in Poland. US West was one of its partners in the successful bid. In six months they hope to have the system operating in Warsaw but need to raise some \$100m

for the project.

Poland's new motorways, the A2, which could involve suppiying cahling, lighting and cement through its involvement in Poland's Ozarow cement plant. It is also forming a consortinm to bid for Poland's PAK power stations. The company, whose cable

and wires division owns three of the biggest plants in Poland and accounts for about 29 per cent of total turnover, has about 70 per cent of the domestic cable market. Meanwhile, its power equipment division is making its mark assembly of a 75MW power plant at Kutch in Guierat. Rolimpex is atmilarly pursu-

ing a policy of increasing domestic strength while feeding export markets. It trades in about 1,000 agricultural products and in 1994 it accounted for 15 per ceot of Poland's foreign trade in vegetable products. It is predicting an 18 per cent rise in profits this year to Zl49m.

The five main commodity areas in which it is the leading exporter and importer are grain, feedstuff, fats, oils, potatoes and sngar and its main trading partners are companies in the European

It has, however, been altering the overall emphasis of its business - switching from a foreign trade company to a trade and processing concern.

Investment in food processing is crucial to its goal of increasing vertical integration and huilding op further areas of sales and profits growth. Mr Roman Mivniec, president and director general, says 65 per cent of profits came from foreign trade in 1995 but he wanted to lift the domestic constituent to 50 per cent.

The group has been invest-

ing beavily in feed mills and

storage facilities in the feedstuffs sector and is planning to buy farms through the country's privatisatioo programme. Rolimpex already has ahont 10.000 bectares. It is also helping to revive the country's rape seed production, providing fertilisers, and financial

# The comforts of home

New competition in Germany means the cement maker is turning to the ...

domestic market One of Poland's new motorways is due to pass close to Gorazdze's cement plant at Chorula, near Opole, in south west Poland. Gorazdze is the largest and one of the most modern cement plants in

The new motorway, part of Poland's ambitious \$8bn programme for a network of new roads, will prova a neat symbol

Poland producing around 2m

of how Gorazdze is having to

recast its strategy.

In the face of increasing competition in the important Germiso market, it intends to place. Sake in the Belgian company, more emphasis on the home partly in order to stem the flow market, where infrastructure of cheap cement imports into

programmes are expected to revive demand for coment. The group is also investing heavily to improve efficiency. particularly in its less profit-able lime business, the fourth

largest in Poland. Gorazdze was privatised in 1993. CBR, the Belgium materials group, took a strategic 30 per cent share the company, majority stake. As part of the

deal, CBR agreed to invest in

Forces for change

Continued from facing page

Two years ago, the market The removal of bureaucratic was retail driven. Every man barriers could help slience and his dog was investing but this is changing and now there is about 30 per cent foreign involvement," he says. Foreign

involvement, he adds, should

reduce volatility. Mr Rozlucki is keen to "remove unnecessary bureau-cracy and procedures", withexchange have built up some expertise. "We can now afford

to increase the dagree of risks," he says, pointing out believes . that NIFE will , that the market has been seen become a new avenue for for- to operate efficiently and has not met with any big hitches.
The removal of bureaucratic those analysts who argue that some Polish regulations hava

kept foreign investors at bay. Regulatory reform and privatisation are not the only forces for change. There is technology, too. The exchange is planning to introduce conout jeopardising standards, ties this year and speed up the now that those working on the process whereby established quoted companies can raisa

cient plant, Strzelce Opolskie, In 1996 Germany's Heidelber-

both Gorazdze and the less effiger Zement took a majority

> its home market. Gorazdze has proved an impressive catch. According to ING Barings, it is by far the most profitable cement plant in Poland and also a low-cost producer. Net profits in 1995 rose to ZI59.5m from ZL43.2m in 1994, while sales soared from

Z1182.8m to ZL225.2m.

Gorazdze also produces a with an option on holding a range of lime products. although these are by no means as profitable as its

In 1994 one third of the company's volume sales went abroad. Of these, 90 per cent were bound for Germany. Gor-azdze's key German market, however, is becoming more competitive. The cement producers there have been investing heavily and have become increasingly price competitive while improving the quality of their products.

Mr Andrzej Reclik, Gor-azdze's financial officer, says tha company will have to look to the bome market - of which it currently has 15 per cent for growth. "We believe that the domestic market will grow as investment picks up in the construction sector and on motorways," he says.

The building of new residen-tial and commercial premises

will boost domestic demand, hit by a dramatic alowdown that began in the late 1970s. Rising demand, put at about .8 per cent or more by some analysts, would push np cement prices, which have

been running at no more than the level of inflation. Key to the fight to win a bigger share of the domestic market will be drives to

Gorazdze uses the dry technology method of production and has been introducing new products, such as the higher quality Portland cement. Cost efficiency will he further enhanced by a new tyre burning plant that will provide power for the plant and so cut cut energy costs.

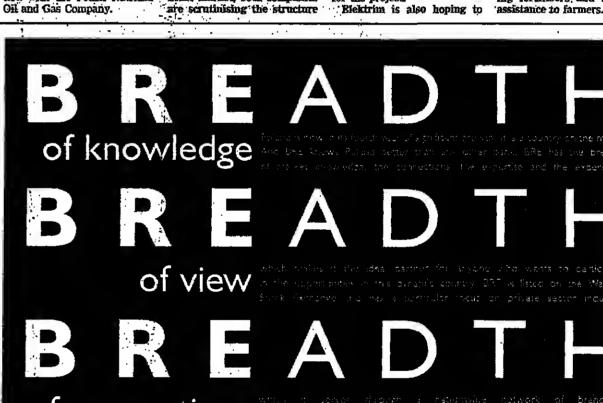
quality.

In addition, Gorazdze has formed a trading company with its sister plant, Strzelce Opolskie, to co-ordinate promotion and marketing and, says Mr Reclik, create a new force in the home market The installation of a new

plant, dne for completion in 1997, will improve efficiency and quality control in the lime business.

Analysts believe that there

will be no immediate pick up in Gorazdze's earnings and in fact some warn that margins will continue to be under pres-aure. Howavar, they are looking for a recovery in 1997 as the benefits of restructuring and investments begin to be



of connections

READ of expertise

READ

of experience



BANK ROZWOJU EKSPORTUSA

Bioliska -Buda - Byd goszev - Guanak - Kutowice - Kraków - Lublin - Lodz - Olsztyn - Poznan - Szczecin - Warszawa - Włocken



Poland is a good place to do business in. With the right bank, it becomes an even better place.

The choice of the right bank depends upon a number of factors.

If you are looking for reliability theres no better option than a bank listed on the Warsaw and London Stock Exchanges renowned for their strict information disclosure policies. You are assured of access to all relevant financial information.

If you are looking for convenience why not consider a bank with more than 60 branches and subbranches throughout northern and central Poland, co-operating internationally with more than 800 banks. A bank located in one of Poland's fastest

If you are looking for effectiveness choose a bank with proven local expertise. That means people familiar with the specifics of doing business in Poland, for whom banking is more than just moving money from one account to another.

It's your business. Your choice. Your success.

Bank Gdański SA, Head Office: Targ Drzewny 1, 80-958 Gdarsk, Poland, phone +48 58 379 227. fax +48 58 379 379



Commercial Bank

CREDITANSTALT

S.W.I.F.T.: CABVPLPW

Bank Creditanstalt S.A. Nowy Swiat Branch ul. Nowy Swiat 6/12 V Pietro PL-00400 Warszawa Tel.: (+48/22) 267 070/2000 Fax: (+48/22) 265 110, (+48/2) 621 7302

Commercial Bank

@ CREDITANSTALT

Bank Creditanstalt S.A. Zlota Branch ul. Ziota 44/46 PL-00120 Warszawa Tel.: (+48/2) 625 51 83, 625 52 36 Fax: (+48/2) 625 51 93

CREDITANSTALT

Bank Creditanstalt S.A. Kalwaryjska Branch ul. Kalwaryjska 69-71 PL-30509 Krakow Tel.: (+48/12) 56 43 43 Fax: (+48/12) 56 25 55

Commercial Bank

@ CREDITANSTALT

Bank Creditanstalt S.A. ul. Stolarska 13 PL-31043 Kraków Tel.: (+48/12) 217 072 Fax: (+48/12) 217 068

Commercial Bank

© CREDITANSTALT

Bank Creditansiati S.A. Poznan Branch ul, Sw. Marcin 77 Tel.: 1+48/61) 53 22 77 Fax: (+48/61) 53 62 05

Corporate Advisory

Creditanstalt Investment Bank

**@B** Creditanstall Financial Advisers S.A.

Swede Center Buildin

4). Jerozolimskie 56c PL-00603 Warszawa Tel (+48:2) 630 2730 Fax. (+48/2) 630 2731

Securities

**Fund Management** Creditanstalt Investment Bank

**@B** 

Creditaristalt Securities S.A. Swede Center Building makin 56c - Pt-00903 Warszawa Tot.: 1+48 71 630 62 72

Mass Privatisatinn Creditanstalt Investment Bank

Fax: (+48/2) 630 62 68

**@B** 

Creditanstatt SCG-Investment Fund Management S.A. LIM Conter - Marnott Hotel, 10th Floor, Suite 1014 imskio 65.79 · PL-00697 Warscawa Tel. (+48/2) 630 60 90 Fax. (+48/2) 630 61 18

**B Leasing** 

CA-Leasing Polska Sp.zo.o. ul. Ziola 44/46 PL-001 20 Warszawa

Leasing-Group

Tel.: (+48/39) 12 20 90 Fax. (+48/2) 601 30 15

awi

6 POLAND: Silesia

■ Regional overview: by Anthony Robinson and Christopher Bobinski

# New life beats in industrial heartland

The area that bore the brunt of recession is showing signs of revival

When Poland nose-dived into recession in 1990. Silesia, the heavy industrial heartland of the country. felt the pain more than any other region. Conditions remain grim in the isolated mining villages and the high-rise apartments, whose crumbling plaster is darkened by the soot from thousands of chimneys. But a big new DM500 car plant investment announced by General Motors earlier this month could be the start of a shift towards a more consumer-orientated economy just as the economic recovery that first lut Warsaw and western cities such as Poznan, Wroclaw and Szczecin, is lifting the regioo's partially restructured heavy industries off the floor.

The densely populated region is a weh of interconnected towns and mining villages centred on the city of Katowice. It is one of the great industrial conglomerates of Europe. But the basic jofrastructure, including the railways, caoals and many of the mines and steel mills, was built in the 19th century when the region was divided between Germany, Russia and Austria. This legacy of tall chimneys, cobble stones and grimy red brick characterises the area. But Silesia also received heavy investment during the war, when it became a centre of the Nazi war economy, and again in the 1970s after Edward Gierek, a

communist party and developed the regioo that had been his local fief-

By the end of communist rule, however, the area was run-down, largely ohsolete and suffering from deadly levels of air, water and land pollution. Visited at the tail-eod of winter, with dirty yellow snow on the ground. blackened trees, and rivulets of sooty water running down the gutters. Silesia is hleak indeed. But unlike Germany's Ruhr gehiet, which resembled

The upturn has increased demand for Silesia's basic products

Silesia 30 years ago, the 5.5m inhahitants of the region cannot count on receiving from the impoverished Polish state the billions of dollars needed for rejuvenation.

This is not an easy message for the region's traditionally militant trade unions to digest. A "Contract for Silesla" signed by the government last November after months of negotiations with trade unions is long on words, but only promises Zl100m(\$25m) over the next three years in hard cash.

The contract offers no grandiose new investment projects but ear-

former miner, became leader of the marks the funds to provide state guar- ment has also steadily declined. antees for loans to small- and medium-sized enterprises. The message is that Silesia's salvation will depend mostly on the efforts of its own hardworking and resourceful people.

However, the prospects for recovery may be brighter than first imoressions suggest. The upturn in economic growth since 1993 has increased demand for Silesia's basic products. Ahead lies the prospect of decades of heavy investment in motorway, railway and other steel and cement intensive infrastructure developments.

A strategic plan for the future of the steel industry commissioned from a Canadian consulting company at the height of the recession recommeoded the closure of half the region's 25 steel plants and the con-centration of steel-making on only 11 plants. That oow looks too pessimis tic. The report calculated that around \$5ho was required to reshape the industry and leave it competitive once protective barriers against EU imports came down in 1998. That figure remains realistic, although unlikely to be raised in full.

Successive Polish governments, and there have been seven since 1989, have also drawn up plans for slimming down Europe's higgest coal industry, which is entirely concentrated in the Silesian basin. Over the last decade total coal output has declined from nearly 200m tons to 130m tons, of which around 30m tons a year is exported at a loss. Employ-

obsolescent, and polinting

steel plants in heavily popn-

Now that GM has given the

go-ahead for the new assembly

plant, Huta Katowice has

decided to press on with its

long delayed plans to huild a

brand-new strip rolling mill at

the end of its planned third

continuons casting line. This

will fulfil most of its original

amhitions and improve the overall profitability of the

The orticles opposite describe

how other companies are help-

ing to change the region.

lated areas

complex.

But at least 15 more heavily loss-

making mines need to be closed with the loss of another 70,000 jobs if the industry is to be brought back to prof-Itahility. Lower coal production and export would also reduce the excessive strain on the nation's infrastructure caused by hauling millions of tons of coal across the country by road and rail to the Baltic ports. But. like those in Britain in the 1980s, Polish politicians face an uphill task in persuading miners that Poland would

Until now there has been an absence of high-tech industries

actually be richer if it produced less coal from loss-making pits and spent the money on other things.

Economists at the regional government headquarters in Katowice worry that the higher pay awards that ended recent strikes were unmatched by productivity gains and will increase the coal industry's current losses. raise the cost of future redundancy payments and set unrealistically high expectations for wages in alternative employment.

Until now the great weakness of Stlesia has been the relative absence of new consumer and high-tech indus-

tries. The isolated mining communities have set a high premium on traditional family values, with one male bread-winner and women staying home with the children. This immohility, and the slow pace of restructuring to date, have kept unemployment. at 9 per cent, well below the national average of 15 per cent. But with unemployment destined to rise in traditional sectors, the need for new investment and new industries has never been more urgent. . .

Fortunately, help is at hand - in the reassuring shape of General Motors. A small army of architects, estate agents, lawyers and accountants spent six mnnths examining sites all over Silesia for GM's planned automobile assembly site and eventu-ally decided on a site at Gliwice, alongside the canal which runs from the city to the River Oder and into the German canal system. "The expecta-tions sparked off by General Motors were enormous. Every town in the region put forward its proposal," says Mr Eugeniusz Ciszak, the provincial

governor of Katowice. The final choice for the 2,000 joh factory was between Gliwice and a site next to the Huta Katowice steel complex. Huta lost, but not com-pletely. The week after GM made its decision Huta Katowice announced it had agreed a 50/50 joint venture with Sidmar of Belgium to go ahead with a third continuous casting mill linked to a cold rolling mill. The mill will produce high quality strip for GM and

■ General Motors site: by Anthony Robinson

# American car move raises local hopes

will be good news for steel workers

Mr Scott Mackie, the Canadian

vice president of planning for General Motors' international operations grahs a sheet of paper and sketches a rnngh box. It takes in a raft of new automobile assembly and component plants that has sprung up over the past five years in central Europe. Hungary has a new Suzuki plant and an Audi engine plant near the Austrian border; the Czech Republic has the blg new Volkswagen Skoda plant and associated facilities clustered around rapidly expanding Volkswagen assembly plant in Bratislava; Poland has Piat at nearby Tychy and Bielsko Biala, Daewoo is investing heavily in the old FSO plant in Warsaw, and so the list goes on.

On Mr Mackie's sketchmap Silesia lies right in the middle of the box - and all around live 38.5m Poles who constitute the higgest potential market in the region.

But while the strategic value of Silesia was clear it took months to decide between dozens of potential sites. Many proved unsuitable because of the level of pollution or because of the difficulties in establishing who exactly owned the land that GM wanted to huy for the higgest greenfield car plant in central Europe.

in the end, the choice fell upon Gliwice, a town with good educational facilities and relatively clean air on the western outskirts of the region. The 70 hectare site lies

COUNTRY

**SURVEYS** ON DISK

GM's Gliwice plant on the hanks of the Bismarckera canal leading to Berlin and the Baltic, and enjoys excellent road and rail connections. The site, now just farmland, had already been acquired by the local anthority, which is negotiating the sale with GM's

property team. The final choice was bound to disappoint the losers. But GM's plans for an integrated car plant with metal stamping. body welding, paintshop and final assembly and capable of assembling up to 100,000 cars a year by 1998 are expected to hring tn thousands of new related jobs for component

Looking further ahead, GM inture expansion and the investment of a further DM250m-DM350m to raise capacity to 150,000 to 200,000 cars a year, including a new new production facilities at small car, still under development, for sale throughout Europe as Fiat already sells tts Polish-made Clnquecento across the continent.

This is all good news for Huta Katowice whose integrated steel complex was originally designed to produce 9m tonnes of steel a year using local coal and iron ore shipped from Krivoi Rog in Ukraine. It was the centre piece of Silesia's last investment boom in the 1970s when hillions of horrowed dollars were poured into the regioo.

But huge cost over-runs on the project nearly bankrupted Poland, starved all : other investment projects of capital and stopped construction of the Huta Katowice complex when only half its planned capacity was huilt.

The legacy of the communist years was a plethora of small,

stadies that have com-been seen hadde the FT's pink pages been seen hadde the FT's pink pages and on leaffyidus

me +44 (0) 171 873 4356 F fex: +44 (0) 171 878 4862

Subscribe to the Financial Times in

Europe.

and get the first 4 weeks free. For more information about this special offer for new subscribers and our extensive subscription hand delivery network, contact the Subscription

Department in Frankfurt on +49 69 156850 or

fax us on +49 69 596 44 83 or write to us at

Financial Times (Europe) GmbH, Nibelungenplatz

Financial Times. World Business Newspaper,

3. 60318 Frankfurt/Main, Germany.



The PSO plant at Warsaw: like Gliwice, the object of foreign lave

available everyday

the best, the quickest, most reliable source of current news and information on Polish economy, business, financial standing of enterprises, as well as on regulation and new laws, the most reliable newspaper for the wide group of stock exchange investors

dear typography

• 50% sold to subscribers

• circulation at the level of 280,000 copies

• 2/3 of the readers are managerial staff

and students studying economy

We supply information - you make the decisions

Merkury Publicity Limited, 16 John Street, London WCIN 2DL, tel. 00 44 71 831 6631, fax 00 44 71 404 4674 or the "Rzeczpospolita" Advertising Office in Warsaw: 02-015 Warszawa, pl. Starynkiewicza 7/9, Poland; tel. (22) 29-86-14, (22) 621-48-69; fax (22) 621-46-58, (22) 625-61-57

Poland's Leading Quality Newspaper throughout the country



# Naico-Fueltech: by Anthony Robinson

# Green rules create niche

Government action to control pollution has led to the formation of a new joint venture

MARCH 27 1996

igh promium orders

igh promium order

the water this may

end women the man

is the next or me m

is the next or me

is the ne

ment the same is a support of the same is a su

The same of the sa

C. ... -1 -1/25 BEC

is contact to the

Marian Transfer

A project with great potential significance for air quality in Poland's most polluted region and way beyond is taking shape at an obscure district heating plant at Legnics, a former German city and Soviet army base near the copper mines of lower Silesia.

in a \$10m pilot project, Nalco-FuelTech, a joint venture between Naico, the world's biggest speciality anti-pollution chemical company and Fuel-Tech, a Dutch Antilles-registered anti-pollution technology company, is busy installing a combined technology system that will reduce sulphur dioxide, nitrogen oxide and dust

There are at least 750 similar boiler houses in Poland that could reduce emissions to conform with increasingly tough regulations by retrofitting the relatively cheap and easy-to-operate Fueltecb system, according to Mr Kent Durr, the company's London-based chairman. They could also save on fuel costs as the Fueltecb system, which works by injecting a cocktail of chemicals into the flue gases, makes

it possible to burn cheaper

grades of coal, he adds.
The company's "SOx, NOx and particulate reductioo" technology is already to operatioo in three coal and lignite fired power stations just across the border in the Czech Republic. But the Legnica cootract is the first in Poland, by far the biggest potential market in central Europe.

In February, the company reached an agreement with TRC Companies Inc of Windsor. Connecticut, under which TRC's Polish juint venture company, Pakto SA, will market and provide engineering support and \$50m in finance for what Fueltech hopes will be a breakthrough into the Polish and wider central European market.

TRC's partners in Pakto are Poland's two leading environmeolal protection funding agencies, the National Fund for Environmental Protection and Water Management, and the Bank for Environmental Protection. Through this partnership Fueltech mains access to US Import-export bank credit lines for environmental protectioo projects involving US technology, and to local finance.

Recent trials at the Legnica district beating plant exceeded the government's new ecological oorms, Mr Luther Wolfenden, the Americau project

phasiog in a fully commercial system at each of the five furnaces. The project is being closely followed by local companies, including the nearby Mledz Copper Combine, which has more than a dozen refloery furnaces suitable for the retrofittable technology now being installed at Legnica.

The installation tovolves the construction of large metal boppers to contain the lime and urea-based slurries and the speciality chemicals that are all injected at carefully calculated points into the fluc gases. In a deliberate boost to the local economy all the steel work has been contracted out to a local entrepreneur, Mr Addrzej Novak. The former welder set up his company, Kollorem, in 1990 and now employs 45 people. "The Fueltecb contract amounts to 65 per cent of my current workload and has helped to take up the normal winter slack when I

"The problem for small businessmen like myself is that state companies are short of cash and cannot pay, while there are very few private companies around here, It is also virtually impossible to obtain

Polish production of metallurgical products (tons million)

1990

9.8

1989

11.3

bave to lay people off," he

"Fueltech belps by providing working capital and making payment as work proceeds.

1991

80

1992

7.6

1993

3,2 0,7

1994

1995\*

9.0 3.8 1.0

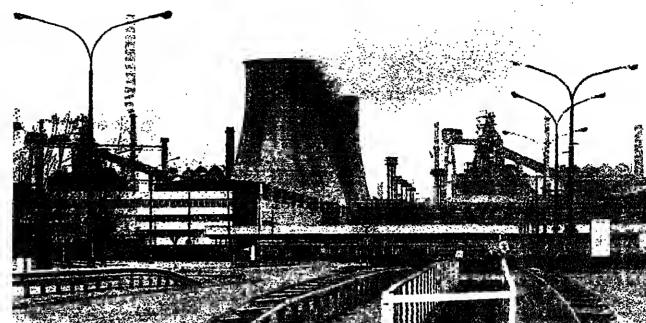
This is important because oth erwise it is hard to get good labour - most of the local skilled welders now work over the border in Germany."

The relatively cheap and simple ancillary equipment that is required to give support to the Nalco-Fueltech processes leads to spin-off work for the local fabricators and suppliers. It also enables Polish industry to continue using relatively cheap and iodigenous Polish coal.

"This fortunate combination belos to make Poland an ideal country for us," says Mr Durr, a South African who was formerly South Africa's minister for trade and industry - a post in which be established close links with the mining industry.

"Over 90 per cent of Poland's power is generated from coal. It is politically and socially impossible to close the coal mines and economically impossible to replace the existing power plants," be says. "At the same lime, bowever, anti-pollution legislation is now in place and polluters will face heavy fines if they do not comply with it. By bappy coincidence our triple process eliminates the three main types of pollution and is compact, affordable and retrofittable.

The marriage of Nalco's expertise in speciality chemicals for treating water, slurries and other effluent and Fuel-



هكنامن العجل

Tech's engineering and process plant skills bas created a relatively low-technology solution that can be installed with minimal disruption to production. Sulphur dioxide reductioo involves the injection of a limebased slurry into the furnace followed by downstream humidification and a bag house to collect the resulting inert dust. The nitrogen oxide reduction involves the furnace injection of urea-based chemi-

cals: particles are collected by

a fabric filter bag bouse and

the resulting chemically inert

waste can be used for construction or as a slow-leaching base for fertilisers.

FuelTech is focusing on the Polisb market because of its size but also, according to Mr Durr, because the company notes a "sense of urgency and responsibility on the part of government and a high quality engineering capacity.

"When the orders come through we will produce as much of the equipment as we can locally," Mr Durr says. Fueltecb oas already

around the world, mainly in Germany and the north-east US. It is also looking at China. Ukraine, Belarus and Russia, Mr Durr notes that the need for eovironmental protection only becomes a market for pollution abatement technology wben sultable legislation is in place and enforced, "That is the situation in Poland, but not yet in the former Soviet Union.

board for eastward expansion," Tough new oir pollution abote-

When it is, we expect that

Poland will become our spring-

ment lates come into effect main goal is to reduce sulphur diaxide emissions by 70 per cent to 1,8m tons a year by 2000 and cut Nitrogen Oxide (NOx) emissions, currently of 1.3m tons of year, to 0.9m ions o year by

The first target is to cut NOx emissions in two stages by the end of 1995 and the end of 1997. New ploms coming on streom after 1998 will also be required to hove sulphur dioxide emission levels that are 75-80 per

■ Elstal Labedy: by Christopher Bobinski

The Polish office of

has moved to larger premises at:

FIM Centre,

21st floor.

Al. Jerozolimskie 81,

02-001 Warsaw

**POLAND** 

Tel: (48 22) 695 0500

Fax: (48 22) 695 0505

BANK GOSPODARKI ŻYWNOŚCIOWEJ

SPÓŁKA AKCYJNA

NATIONAL BANK WITH OVER 1200 CO-OPERATIVE BANKS ASSOCIATED THEREIN

BGŹ S.A. THE BEST PARTNER IN BUSINESS AND

ECONOMIC CO-OPERATION EAST - WEST

TLX. 825198 bfe

FAX. 25 72 07 SWIFT, GOPZ PL PW

LARGEST CO-OPERATIVE BANKING NETWORK

PROVIDING SERVICES TO THE AGRICULTURE AND FOOD INDUSTRIES

OFFICES ALL OVER THE COUNTRY

UNIVERSAL BANK SPECIALISED IN

rcial and Correspondent

Sanking Department

# I horoughly modern mill

The managers of the steel company have pursued a bold strategy of modernisation

Mr Kazimlerz Ochab, the technical director of Elstal Labedy, is quietly prood of Europe's most modern electric arc furnace and continuous

The new equipment has just been installed at the Labedy steel mill, at the western edge of Silesia's sprawling indus-

trial agglomeration of Katowice, and is currently undergoing trials. It sits in high-tech splendour in a spruced up 55year-old building where the beat, noise and stink of the open bearth furnaces it has

Rolled products production

replaced are fast becoming a distant memory. Without management's per-

11.8

sistence and determinatioo. the \$70m investment would never bave beeo made and Labedy would have become just ooe more abandoned and sbuttered factory in a landscape littered with industrial

"We could only count on ourselves," Mr Ochab says of an investment that ensured Labedy's survival in a much more efficient and slimmed down form, employing 250 workers where 800 were employed before.

#### The plant has diversified and now supplies the building industry

Senior managers were driven by a combination of flerce loyalty to their plant and fear for their own future. Had Labedy oot been modernised the mill would either have gone under for economic reasons or bave beeo forced to close on the orders of the environmental

Elstal Labedy, which owns the new mill is a joint venture betweeo Lahedy and Stalexport, the now private former state trading company, which is building a 25 per cent stake in the Polish steel industry. Stalexport and Labedy jointly put up 32 per cent of the funding for the furnace and casting line. Their investment constitutes the first step in the privatisation of Labedy, with Stalexport in the role of strategic

A consortium of six local

banks led by the eoterprising Export Development Bank (BRE) belped finance the purchase of equipment from Mannesman Demag and Switzerland's Concast as well as an oxygeo plant from BOC. The remaining 32 per ceot came in the form of a low-interest loan from the National Fund for the Protection of the Environment (NFiOS) whose mooey comes from fines paid by companies that contravene environmental standards. The project went ahead without supplier credits. bowever, as the Polisb government refused to provide loan guarantees.

Mr Wilhelm Kirsz, the managing director of Labedy, was founded in 1848, wheo the area belooged to Prussia, is as pleased as any of the mil's 1,800 employees at the success of the project. He has managed the plant since the beginning of the 1990s when it stayed in profit and avoided debt. Last year it made a net profit of \$3.2m on sales of \$120m, around 10 per cent of which came from export markets soch as Spain, Austria,

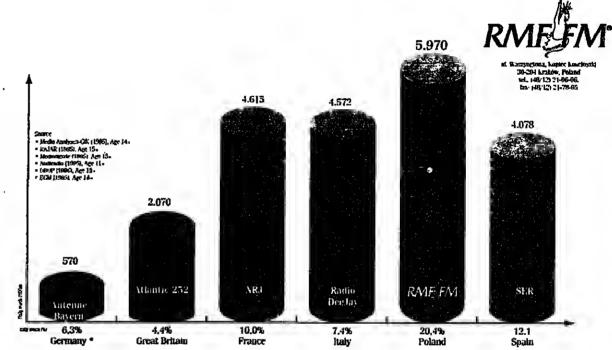
Switzerland and Iran. Mr Kirsz has to pay for the investment and retain his leading positioo as a supplier of steel supports to the coal mining industry while diversifying into making steel products for the building and other sectors. His three rolling mills also have to be modernised.

The new continuous casting line provides substantial savings on energy costs while the arc furnace reduces pollution and ooise to a minimum. This year It will produce 250,000 tonnes of steel billets for processing at Labedy's three rolling mills, or for sale to outside mills. Full capacity. to be reached next year, is set at 350,000 tonnes.

EXPERIENCED RETAILING INVESTORS/PARTNERS REQUIRED PRIVATE RETAILING ENTERPRISE (WALL FLOC VERINGS AND HOME CONTENTS/DECOR ET ESTABLISHED SINCE 1993 IN POLAND SEEKING INVESTORS PARTNERS TO EXPAND CURRENT TWO OUTLETS. CONTACT: MARC KALAMIAN/BELGIUM: TEL: +32.2.346 25 90 FAX: +32.2.347 62 13

# THE BIGGEST RADIO NETWORK AM/FM IN EUROPE

be adds.



THE LARGEST EUROPEAN COMMERCIAL AM/FM RADIO NETWORKS

(in terms of the number of listeners)

Six years agn, we were only one of many Polish chemical companies which struggled to cope with all the problems resulting from the market of the econnmy in transition. Today, we are one of the biggest Polish manufacturers of chemical products, with recognised and stable position nn the

Our plants deliver 71 various products: starting from oxo alcohols, then going to urea adhesives and nrganic products, and finishing at nitrogen fertilizers. Great majority of our plants are modern productioo facilities. Before long we expect to be certified under ISO 9002.

We have been nperating for fifty years now. Our site is located in the Silesia region - the region with the industrial traditions dating back to many bundred years ago, and situated at the crossroads of main communication tracks leading from West and South Europe into North and East. We know that no company will maintain its market share without continuous development and new investment projects. The market conditions are competitive and demanding.

nansiai projects. What can we offer?

ZAKŁADY AZOTOWE

,KĘDZIERZYN" SA



Thus, we seek partner(s) for joint fi-

· stable position and our specific mar-

 reliability acknowledged by Polish and foreign clients.

 own energy supplies, • well developed infrastructure in lo-

er place and time.

perfect financial standing,

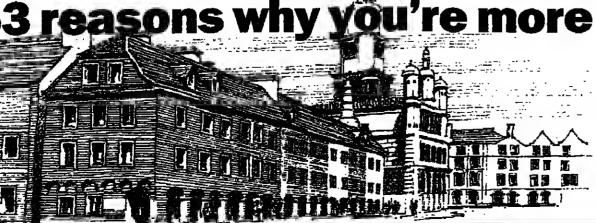
sites with unlities provided for the

construction of new chemical plants, qualified, skilled and competent per-

It is widely known that good time for investments at this part of the world is just about to start. Take your chance.

We are waiting for you at the prop-

# 53 reasons why you're more likely to fly to Poland with SAS



To Warsaw, Poznan or Gdansk

With 53 departures every week from the UK to Poland, we offer you a greater choice of flights than any other major European airline. Three times every weekday to Warsaw. Three every Monday, Wednesday and Friday to Poznan. And daily to Gdansk from Heathrow, from Manchester and from

Glasgow - the fastest service from all

three cities. So next time you're flying to Poland, try us. You certainly won't go short of opportunities.

Call your travel agent of SAS: London 0171 734 4020. Manchester 0161 499 1441

#### 8 POLAND: Anglo-British relations

**WE UK Investment:** by Anthony Robinson

# ueen's visit reflects new ties

Britsh companies are increasing their commitment to the country in deals worth millions

The first state visit by a British monarch to Poland. which coincides with this survey, celebrates the resumption of friendly official relations, cemented by war-time comradeship, between two peoples far enough apart to enjoy a degree of mutual admiration.

ment and Polish airmen played a distinguished role in the Battle of Britain. Poles also fought alongside the allied armies in a long list of other battles inscribed on the war memorial in Victory Square on which the Queen will lay a wreath, and many Polish servicemen and their families remained in Britain after the war rather than returning to the Soviet dominated post-war bomeland.

The Solidarity revolution of 1989 opened the way for closer links between Poland and the rest of the world, including

wartime free Polish govern- Britain, although initially the UK Home Office ran a highly restrictive visa regime inspired by fear that the UK would otherwise be overwbelmed by thousands of work-seeking young Poles. In fact, the boot was rather on the other foot. As the former KGB minders in key Polish ministries faded from the scene, newly strategic ministries such as finance and privatisation suddenly became thick with pin-striped Brits.

Warsaw's newly opened Mar-

riott and older established Vic-

toria and Europeijski hotels

tants, management consultants, seconded civil servants, bankers and purveyors of all kinds of arcane advice connected to the then mysterious art of privatisation.

It was thanks largely to Mrs Margaret Thatcher. The then prime minister believed that the transfer of practical experience was the fastest and most effective way of helping people in former communist states acquire the skills appropriate for a democratic society and a market economy. She accordingly set up the Know-How

given by Anglo-Poles, born and educated in the UK. whose fathers might have been spitfire pilots in the Battle of Britain or fought their way through Italy with the Polish army that General Anders built up from officers and men released from Stalin's captivity

Despite the quick start and the good contacts made early on, bowever, UK-based businessmen have been somewhat slower to open their wallets than their American, German, Dutch, French and Italian counterparts, who have tended to invest and trade more. But those UK companies that have taken the plunge tend to be enthusiastic about their new Polish investments and the relationships they have built up with their local managers and workers

The proof of such enthusiasm can be seen in rapidly rising trade and investment. According to British figures. UK exports to Poland rose 34 per cent to £945m last year, of which £211m was accounted for by North Sea oil. Imports from Poland rose 17 per cent to £638m, to give a surplus in tha UK favour of £307m.

Poland is not only the largest market in the region for UK companies, but also the most attractive place for investment. British companies have been responsible for \$478m of the total \$6,832m that PAIZ, the Polish investment agency, estimates was invested in Poland between 1990-95. They are committed to a further \$329m as part of the \$5,249m package that foreign investors as a

whole have pledged. Interviews and factory visits indicate that the nace of new investment is greater than suggested by the official figures, which only include sums

of over Sim. According to a survey commissioned by the Department of Trade and Industry in the UK. British companies investing in Poland are attracted by the country's size, prospects of growth and its location as a base for exports. Future Polish membership of the European Union is less of a factor, while few of the companies polled draw attention to the low costs

Disadvantsges most often

Workers at Cadbury's \$50m greenfield site on the outskirts of Wroclaw cited include high fiscal burdens and unstable tax regulations. Many consider the local banking system to be ineffective and many criticise the legal system for its "inconsistent provisions", with "many various interpretations of new

regulations possible". Despite these drawbacks. individual commitments are often huge. The biggest single UK investor to date is Pilkingtion, which has opened a \$166m glass works at Sandomlerz in south east Poland. It is followed by the Anglo-Dutch Unilever group, which has invested \$98m, and is committed to another \$40m, and by Cadbury-Schweppes, which has built a \$50m greenfield chocolate factory on the outskirts of

Poland is not only the largest market in the region for UK companies but also the most attractive for investment

Wroclaw in south western

Cadbury's state-of-the-art factory is one of a cluster of investments by British companies in the Wroclaw area. The attractions includa helpful local authorities and good road and rail connections to the German market, the 38.5m strong Polish domestic market and opportunitles further

rus, Ukraine and Western Rus-

British Oxygen bought an industrial gas plant next to a site on which British Vita has built a \$10m foam rubber plant while Cussons, which invested \$11.5m in a soap factory, is now having a new \$15m detergent plant built by Bovis Pol-ska. The Polish subsidiary of the UK-based Bovis construction company also bulk Pilkington's Sandoglass factory and is currently building a \$30m glucose refinery near Wroclaw for Cargill, the US agricultural products company and a \$10m bottling plant for

Pensi Cola in Znin, also west-

ern Poland. Bovis is one of a growing number of UK-based construction companies attracted to Poland by rapid growth and the prospect of big infrastructure developments in the years ahead. A new business park undar construction by Higgs and Hill and its Polish partner is very visible on the road from Warsaw's new airport to the city. Britisb-based property companies are also playing an active role in the fast-moving Polish property market.

The prospect of large scale expansion by Tesco, the UK supermarket group, which recently bought the Savia supermarket chain, the expected entry of Marks and Spencer and Boots the chamlst, together with projected heavy investment in petrol stations and elsewhere by British Petroleum, add to the impression of dynamic growth in Polish-UK business links.

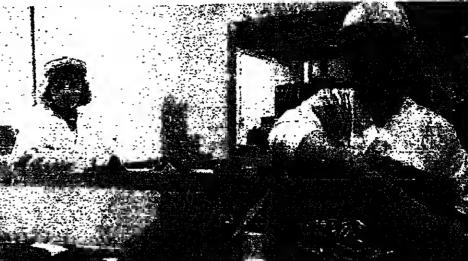
Another indicator is the increasing difficulty of finding seats on some direct flights to Warsaw. British Airways is

working hard to attract Polish and other central European passengers to London for onward flights around the world while LOT, the Polisb carrier, has invested heavily in staff training and a new all-

> UK-based construction companies are attracted to Poland by the prospect of big infrastructure projects

Boeing fleet and reports an 85 per cent rise in business-class travel between London and Warsaw over the first two months of this year. Lot, which is seeking a US strategic partner as part of its privatisation. plans, has just been chosen as the best east European airline of the year by Business Travel World magazine.

Oddly, rising trade and invastment hardly appear to have been noticed by the British clearing banks. Warsaw hosts a raft of UK-based merchant banks, including Morgan Grenfell, SQ Warburg and Schroder with its Schroder Poiska subsidiary. Barclays has a representative office and Midland is represented by Midland Montagu Rinancial Services, but so far the British clearers have not rushed to open branches in what is becoming a market increasingly crowded with their European and US



CASE STUDY British Vita

# Profit at the push of a button

medium-slzed British plc whose international business accounts for more than 60 per cent of its more than £800m annual turnover, the decision to build its own polyurethane foam plant at Dolny Brzeg near Wroclaw in westarn Poland three years ago has paid dividends.

"Our Polish plant was profitable from the moment we pressed the start button. We started production in June 1994 and within four months we were working at 90 per cent capacity," says Mr Keith Bradshaw, British Vlta's director for Eastern Europe. "Profitability will rise further when the low-cost extension to our existing plant is completed later this year," he adds.

Strong growth and high profitability at its wbollyowned Polish subsidiary have been especially valuable over the past three years, during which the company's overall profitability has been hit. The squeeze is the result of rising chemical raw material costs and fierce competition in British Vita's traditional markets. especially Germany.

Ironically, increasingly tough competitive conditions in the German market are closely linked to the company's success in Poland. The Manchester-based company was originally tipped off to the

when cash-wielding Polish furniture makers turned up at its German plants seeking foam

profitability in Germany have been underminad over the past few years as furniture makers and cost-conscious German car companies have transferred production from expensive German factories to cheaper sites in Poland and elsewhere in central Europe. At the sama time, demand for foam from locally owned Polish factories has soared, reflecting last year's rise in Polish exports to Germany

in Poland was to underestimate the potential. I wish we'd gone for a bigger plant in the first place," Mr Bradshaw admitted at a recent foreign investment conference organised by the London Business School. "We invested 57m in building the plant, which has a capacity of 9,000 tons a year and UK-standard environmental protection equipment. The same factory in the UK would have cost £15m-£20m. Now we are investing a further £1.1m, but that will raise capacity by 60 per cent."

At current output levels, British Vita has captured 30

its sales are to the Polish subsidiaries of its traditional Datch and German customers back to factories in and the rest are to purely Polish companies. All typically export around 80 per cent of Vita's customer base and their finished products back

At present, British Vita sells 95 per cent of its output to furniture and bedding manufacturers, but the automobile industry, a big consumer of foam products, could also become an important customer. The company is poised for rapid growth over the next few years not only in Poland but also in the neighbouring Czech Republic, Slovakia and and other EU markets. Hungary, whose markets are "The only mistake we made all well within the economic 500km distance range from its

existing Polish plant. Volkswagen bas a big expansion programme in train at its Skoda plant in the Czecb Republic, Suzukl bas ao assembly plant in Hungary, and General Motors and Daewoo are both planning substantial investments in Poland as they follow the path blazed by Fiat which produces over a quarter of a million vehicles annually in Poland.

At present, only 5 per cent of British Vita's Polish production is exported, due to lack of capacity. But with other new markets beckoning further east in Belarus and

Ukraine, British Vita's next move will probably be to set up a new plant in eastern Poland. The investment will be financed by cash flow from its existing operation. To keep costs down, the

company is hoping to buy some of the plant and equip ment installed by a Polish entrepreneur in a facility down the road from British Vita's own factory, which is opposite the state-owned Rokita chemical works. If it can buy the bankrupt company's plant, British Vita plans to install it in its projected export-orientated factory in eastern Poland.

The private Polish competi-

tor could not match the qual-

lty or just-in-time delivery methods of British Vita. A bet ter fate has touched Zachem British Vlta's main Polish competitor, which had more than 50 per cent of the market before British Vita appeared. 2achem's market share is now down to a third, just ahead of British Vita. It is likely to decline further when British Vita's extension boosts output and sales later this year. But with dynamic market growth there is room for both. This is just as well because Zachem the market leader, is a subsidlary of the Rokita plant that currently supplies the British company with chemical feed-



Corporate Finance

Research

Brokerage

Asset Management

Custody



THE LEADER ON THE POLISH MARKET

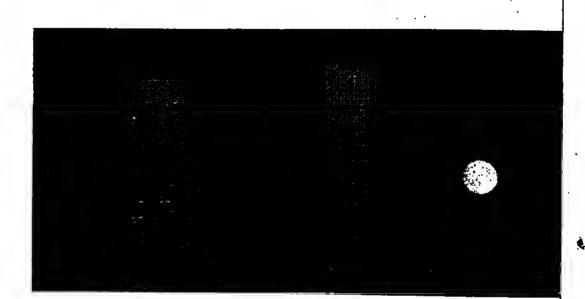


BANK HANDLOWY W WARSZAWIE SA ESTABLISHED 1870

CAPITAL MARKETS CENTRE

M. KASPRZAKA 19/20 STR. - 04-211 WARSAW, POLJAND, TEL (1648-22) 6/24/90, (148-22) 6/222004/00, FAX: (1648-22) 6/22172 NOWY SWIAT #12 STR , 00-460 WARS W. POPANIL TEL 1-48 221 6617125 FAN 1-48 221 6256049, TAN 516782 BHOW PL SWIFT, BHWA PL PW WAS

## At the Centre of Events.



owszechny Bank Kredytowy S.A. is one area with prospects for further expansion of private business and a perfect market for PSK S.A. in Warsaw is a full service

commercial Bank with a branch network throughout the country. The Bank is due to be privatised in 1996. Wherever your are ready to become your partner. To find out how we could help build you

business, pleasa contact



tel.: (48-22) 661-78-64